AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 22, 1998.

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CAL DIVE INTERNATIONAL, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MINNESOTA	1389 1311	95-3409686
(STATE OR OTHER JURISDICTION OF INCORPORATION OF ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

400 N. SAM HOUSTON PARKWAY E., SUITE 400
HOUSTON, TEXAS 77060
(281) 618-0400

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANTS PRINCIPAL EXECUTIVE OFFICES)

ANDREW C. BECHER
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
CAL DIVE INTERNATIONAL, INC.
400 N. SAM HOUSTON PARKWAY E., SUITE 400
HOUSTON, TEXAS 77060
(281) 618-0400

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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FULBRIGHT & JAWORSKI L.L.P.	GIBSON, DUNN & CRUTCHER, LLP	VINSON & ELKINS L.L.P.
1301 MCKINNEY STREET, SUITE 5100	1801 CALIFORNIA STREET, SUITE 4100	2300 FIRST CITY TOWER
HOUSTON, TEXAS 77010	DENVER, CO 80202	1001 FANNIN STREET
(713) 651-5151	(303) 298-5775	HOUSTON, TEXAS 77002
		(713) 758-2222

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC. As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, no par value............	2,867,070	$33 3/4	$96,763,613	$28,062

(1) Includes 373,966 shares that the underwriters may purchase to cover over-allotments, if any.

(2) Calculated pursuant to Rule 457(c) under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL

FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

==

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PROSPECTUS (SUBJECT TO COMPLETION)
ISSUED APRIL 22, 1998

2,493,104 SHARES

[LOGO] CAL DIVE INTERNATIONAL, INC.

COMMON STOCK

ALL OF THE 2,493,104 SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE SELLING SHAREHOLDERS. THE COMPANY WILL NOT RECEIVE ANY PROCEEDS FROM THE SHARES OF COMMON STOCK. SEE "PRINCIPAL AND SELLING SHAREHOLDERS." THE COMPANY'S COMMON STOCK IS QUOTED ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "CDIS." ON APRIL 21, 1998 THE LAST REPORTED SALE PRICE OF THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET WAS $34 1/2 PER SHARE.

SEE "RISK FACTORS" COMMENCING ON PAGE 13 HEREOF FOR INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO SELLING SHAREHOLDERS(2)
PER SHARE............................	$	$	$
TOTAL(3).............................	$	$	$

- ------------

(1) THE COMPANY AND THE SELLING SHAREHOLDERS HAVE AGREED TO INDEMNIFY THE UNDERWRITERS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SEE "UNDERWRITERS."

(2) THE EXPENSES OF THE OFFERING, ESTIMATED AT $, WILL BE PAYABLE BY THE COMPANY.

(3) CERTAIN OF THE SELLING SHAREHOLDERS HAVE GRANTED THE UNDERWRITERS AN OPTION, EXERCISABLE WITHIN 30 DAYS OF THE DATE HEREOF, TO PURCHASE UP TO AN AGGREGATE OF 373,966 ADDITIONAL SHARES, AT THE PRICE TO PUBLIC LESS UNDERWRITING DISCOUNTS AND COMMISSIONS, FOR THE PURPOSE OF COVERING OVER-ALLOTMENTS, IF ANY. IF THE UNDERWRITERS EXERCISE SUCH OPTION IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND COMMISSIONS, AND PROCEEDS TO SELLING SHAREHOLDERS WILL BE $, $ AND $, RESPECTIVELY. SEE "UNDERWRITERS."

THE SHARES ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITERS NAMED HEREIN, AND SUBJECT TO APPROVAL OF CERTAIN LEGAL MATTERS BY VINSON & ELKINS L.L.P., COUNSEL FOR THE UNDERWRITERS. IT IS EXPECTED THAT THE DELIVERY OF THE SHARES WILL BE MADE ON OR ABOUT , 1998 AT THE OFFICE OF MORGAN STANLEY & CO. INCORPORATED, NEW YORK, N.Y. AGAINST PAYMENT THEREFOR IN IMMEDIATELY AVAILABLE FUNDS.

MORGAN STANLEY DEAN WITTER

RAYMOND JAMES & ASSOCIATES, INC.

SIMMONS & COMPANY

INTERNATIONAL

, 1998

[Picture of Uncle John Vessel]

The UNCLE JOHN is a twin hull dynamically positioned 254-foot semisubmersible, multi-service vessel ("MSV") capable of providing well intervention services and supporting full field development activities in the Deepwater Gulf of Mexico.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF COMMON STOCK IN THE OPEN MARKET. IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS, IF ANY, MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 103 UNDER REGULATION M. SEE "UNDERWRITERS."

[Schematic depicting the services provided by the Company at various water depths]

FREQUENTLY USED TERMS:

4-POINT: Anchors set (two each) from the fore and aft position of the vessel over the construction work site.

DECOMMISSIONING: The process, supervised by the MMS, of plugging the well, capping and burying the pipelines serving the field, removing the platform and clearing the site of all debris within 18 months of the termination of production.

DIVE SUPPORT VESSEL (DSV): Specially constructed vessel which performs services and acts as an operational base for divers, ROVs and specialized equipment.

DYNAMIC POSITIONING (DP): Satellite based, computer directed thruster systems which ensure the proper counteraction to wind, current and wave forces and enable the vessel to stay in position without the use of anchors. Two or more DP systems are used to provide the redundancy necessary to support safe manned diving operations.

MOONPOOL: An opening in the center of a vessel through which a SAT diving system or ROV may be deployed, allowing the safest diver or ROV deployment in adverse weather conditions.

REMOTELY OPERATED VEHICLE (ROV): Robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks beyond the capability of manned diving operations.

SATURATION (SAT) DIVING: Saturation diving involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site. SAT diving is required for work in water depths greater than 300 feet.

SPOT MARKET: Market unique to the Gulf of Mexico characterized by projects generally short in duration and of a turnkey nature. These projects require constant rescheduling and the availability and interchangeability of multiple vessels.

FOR FURTHER INFORMATION ON COMMONLY USED TERMINOLOGY IN CDI'S INDUSTRY, SEE "BUSINESS -- THE INDUSTRY."

[Picture of Witch Queen Vessel]

The WITCH QUEEN is a 278-foot dynamically positioned DSV that has SAT diving and ROV capabilities for subsea construction projects at any water depth.

[Picture of Platforms at Block 231]

EAST CAMERON BLOCK 231 is one of 14 natural gas and oil fields owned by Energy Resource Technology, Inc.

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SHARES OF COMMON STOCK OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREBY SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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AVAILABLE INFORMATION

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files annual and quarterly reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company with the Commission pursuant to the informational requirements of the Exchange Act may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Judiciary Plaza, Washington, D.C. 20549, as well as at the Commission's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding the Company; the address of such site is http://www.sec.gov. The Company's Common Stock is quoted on the Nasdaq National Market. Reports, proxy and information statements and other information concerning the Company can also be inspected at the Nasdaq National Market at 1735 K Street, N.W., Washington, D.C. 20006.

The Company has filed with the Commission a Registration Statement on Form S-1 (including all amendments and exhibits thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. For further information with respect to the Company and its Common Stock, reference is made to the Registration Statement and the exhibits and schedules thereto. Statements contained in this Prospectus regarding the contents of any agreement or other document filed as an exhibit to the Registration Statement are not necessarily complete, and in each instance reference is made to the copy of such agreement filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. The Registration Statement, including the exhibits and schedules thereto, can be inspected and copied at the Commission's offices as described above.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED. UNLESS THE CONTEXT INDICATES OTHERWISE, ANY REFERENCE IN THIS PROSPECTUS TO THE "GULF OF MEXICO" OR THE "GULF" REFERS TO THE U.S. GULF OF MEXICO, AND "CDI", "CAL DIVE" OR THE "COMPANY" REFERS TO CAL DIVE INTERNATIONAL, INC. AND ITS PREDECESSORS, TOGETHER WITH ITS WHOLLY OWNED SUBSIDIARIES, INCLUDING ENERGY RESOURCE TECHNOLOGY, INC. ("ERT"), ITS INTEREST IN THE VENTURE WITH COFLEXIP, QUANTUM OFFSHORE CONTRACTORS, LTD. ("QUANTUM"), AND ITS EQUITY OWNERSHIP IN AQUATICA, INC. ("AQUATICA").

THE COMPANY

GENERAL

CDI is a leading subsea contractor providing construction, maintenance and decommissioning services to the oil and gas industry from the shallowest to the deepest waters in the Gulf of Mexico. Over three decades, CDI has developed a reputation for innovation in underwater construction techniques and equipment. With its diversified fleet of 11 vessels, CDI performs services in support of drilling, well completion and construction projects involving pipelines, production platforms and risers and subsea production systems. Through ERT, the Company acquires and operates mature offshore natural gas and oil properties, in order to provide customers a cost effective alternative to the decommissioning process. In 1997, CDI derived 85% of its revenues from its subsea contracting operations and 15% from ERT's production of natural gas and oil. The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms.

In the shallower waters of the Gulf (up to 1,000 feet), CDI performs traditional subsea services which include air and saturation ("SAT") diving in support of marine construction activities. CDI is uniquely qualified to provide these services in the Gulf "spot market" where projects are generally turnkey in nature, short in duration (two to 30 days) and require constant rescheduling and availability of multiple vessels. Of the Company's 11 vessels that perform these traditional services, five support SAT diving and three of these have dynamic positioning ("DP") systems. CDI has the largest fleet of SAT and DP vessels permanently deployed in the Gulf. In addition, the Company's highly qualified personnel have the technical and operational experience to manage turnkey projects to satsify customers requirements and achieve CDI's targeted profitability. Between 1993 and 1996 leases awarded in the Gulf's shallower waters more than doubled pushing offshore rig utilization in the Gulf over 90%. Demand for CDI's services typically follows drilling activity in the shallow waters by six to 18 months and in depths greater than 1,000 feet (the "Deepwater") by 12 to 24 months.

As the activity in the Deepwater Gulf of Mexico continues to increase, technological challenges inherent to the environment are requiring subsea contractors to develop new and modify existing technology. Through its Deepwater Technical Services Group, CDI provides integrated solutions to satisfy its customers' Deepwater construction and maintenance needs. With a fleet of five Deepwater-capable vessels, CDI has the most technically diverse fleet permanently deployed for the delivery of these subsea solutions in the Gulf. This fleet includes the DP multi-service vessel ("MSV") UNCLE JOHN, three DP vessels, WITCH QUEEN, BALMORAL SEA and MERLIN, and the Deepwater service barge, SEA SORCERESS. Quantum, the Company's joint venture with Coflexip, is now offering a sixth Deepwater vessel, CSO CONSTRUCTOR. The alliance with Coflexip and other alliances with offshore service and equipment providers enhance CDI's ability to provide both full field development and life of field services. In 1997, the Deepwater Gulf experienced record lease sales, increased drilling activity, new discoveries, increased subsea development and advances in drilling and completion technology. The Company believes that the Deepwater Gulf of Mexico will continue to be among the most active exploration and development areas.

The Company is a leader in the decommissioning of mature oil and gas properties in the shallow water Gulf of Mexico. According to Offshore Magazine, CDI performed 32% of all structure removal projects in the Gulf of

Mexico from January 1, 1996 through June 30, 1997, with the next closest competitor at 13%. The Company also acquires, produces and develops mature properties prior to decommissioning and as such is one of few companies with the combined attributes of financial strength, reservoir engineering, operations expertise and company-owned salvage assets acquiring mature properties in the Gulf of Mexico.

The Company traces its origins to California Divers Inc., a company which pioneered the use of mixed gas diving in the early 1960s when oilfield exploration off the Santa Barbara coast moved to water depths beyond 250 feet. Cal Dive commenced operations in the Gulf of Mexico in 1975. In recent years, CDI has experienced increased demand for its services due to the increased offshore drilling and production activities in the Gulf, particularly in the Deepwater. The Company's growth strategy has consisted of three basic elements: (i) identifying niche markets that are underserviced or where no service exists, (ii) developing the technical expertise to service such markets and (iii) acquiring assets or seeking business alliances which fill the market gap. As a result, CDI's revenues increased by a compounded annual growth rate of 71% from $37.5 million in 1995 to $109.4 million in 1997. Similarly, net income has increased by a compounded annual growth rate of 133%, $2.7 million in 1995 to $14.5 million in 1997.

COMPANY STRENGTHS

DIVERSIFIED FLEET OF VESSELS

CDI's fleet provides a full complement of subsea construction, maintenance and decommissioning project capabilities. CDI distinguishes itself by having the largest fleet of vessels with fully redundant DP systems permanently deployed in the Gulf. The services provided by the Company's vessels are both overlapping and complementary in a number of market segments, enabling the Company to deploy its vessels to areas of highest utility and margin potential in all water depths where development is currently contemplated.

EXPERIENCED PERSONNEL AND TURNKEY CONTRACTING

The Company's highly qualified personnel enable it to compete effectively in the Gulf's unique "spot market" for offshore construction projects and to manage turnkey projects to satisfy customer needs and achieve CDI's targeted profitability. The Company believes the recognized skill of its personnel positions it to capitalize on the trend in the oil and gas industry towards outsourcing additional responsibility to contractors.

DEEPWATER TECHNICAL SERVICES

The Company has established a unique niche by assembling the specialized assets, technical personnel and exclusive alliance agreements that provide a cost effective solution to the rising demand for Deepwater services. As a result, the Company is able to meet the fast-track requirements of Deepwater development projects. In April 1997, Quantum was established to undertake Deepwater construction projects and provide integrated services and advanced technology to its customers, drawing upon the capabilities and strengths of both companies. Coflexip chartered the DP vessel CSO CONSTRUCTOR to Quantum in 1998.

MAJOR PROVIDER OF SATURATION DIVING SERVICES

Management believes that CDI is the largest provider of SAT diving services in the Gulf of Mexico. All of CDI's SAT diving vessels have moonpool systems, which allow safe diver deployment in adverse weather conditions. Because Deepwater field developments must be tied into the existing Gulf infrastructure, management believes there will be increasing demand for the Company's SAT diving services.

LEADER IN SHALLOW WATER SALVAGE OPERATIONS

The Company has established a leading position in the decommissioning of facilities in the shallow water Gulf of Mexico, performing 32% of all structure removal projects from January 1, 1996 to June 30, 1997. The Company expects the demand for decommissioning services to increase due to the significant number of platforms that must be removed in accordance with government regulations. Over 75% of the 3,800 platforms in the Gulf are over ten years old, and there are approximately 15,000 wells that must ultimately be decommissioned.

OPERATION OF MATURE NATURAL GAS AND OIL PROPERTIES

CDI is one of the few companies with the combined attributes of financial strength, reservoir engineering, operations expertise and company-owned salvage assets that is acquiring mature properties in the Gulf of Mexico. These attributes result in significant strategic and cost advantages. The Company has personnel experienced in geology and reservoir and production engineering which allows ERT to maximize production of the properties until they are decommissioned.

GROWTH STRATEGY

FOCUS ON THE GULF OF MEXICO

Cal Dive intends to maintain its focus on the Gulf of Mexico where the Company is well positioned to respond to rising market demand for services in all water depths. In recent years there have been significant new field discoveries in the Deepwater Gulf of Mexico, including 11 in 1997. The 1997 and 1998 Gulf of Mexico lease sales by the Minerals Management Service ("MMS") attracted record bidding levels both in terms of the number of leases receiving bids and the amount of capital exposed, including a record level of interest in Deepwater blocks. Even though 20% less acreage was offered in the 1998 Central Gulf lease sale, the total capital exposed was $1.4 billion in 1998 versus $1.2 billion for the prior year. Deepwater discoveries are resulting in increased demand for CDI's services, as reflected in both continued high vessel utilization rates and increased operating margins. In addition, the anticipated increase in drilling activity following the record lease sales should result in increased demand for CDI's services.

CAPTURE A SIGNIFICANT SHARE OF THE DEEPWATER MARKET

As the activity in the Deepwater Gulf of Mexico continues to increase, there exists a growing need for new applications of subsea services and technology and subsea contractors to develop and deploy such technology. Customers purchasing such services typically prefer a specialized vessel with redundant DP systems as a work platform. CDI has the largest fleet of such vessels operating in the Gulf. The Company believes that well completion, subsea installation and infield connection projects have become more critical in an era of limited availability of Deepwater drilling equipment. Through its Deepwater Technical Services Group, the Company provides integrated solutions to satisfy its customers' Deepwater subsea construction and maintenance needs. The Company's MSV UNCLE JOHN has the capacity to undertake certain well completion activities at lower day rates than semisubmersible drilling rigs, thereby reducing cost to the operator and releasing the drilling rig for other projects. CDI has negotiated alliance agreements with a number of specialized contractors, as well as establishing Quantum with Coflexip, to provide the full range of services necessary for Deepwater subsea construction projects. The objective of this strategy is to increase the proportion of the Deepwater field development expenditures captured by Cal Dive while reducing the project duration and overall cost to the operator.

To gain a greater share of the Deepwater market, the Company is designing the first sixth-generation multi-service vessel, the MSV 3500. The vessel would be a new generation of the semisubmersible design of the MSV UNCLE JOHN, unique due to the absence of lower hull cross bracing. Planned variable deck load of approximately 4,000 metric tons and a large deck area would make the vessel particularly well suited for large offshore construction projects in Deepwater. High transit speed would allow it to move rapidly from one location to another. CDI is currently attempting to secure long-term utilization contracts and industry partners for the vessel. There can be no assurance that the MSV 3500 will be built or that such contracts or industry partners will be obtained.

CAPITALIZE ON SYNERGIES WITH COFLEXIP

CDI entered into a strategic alliance with Coflexip to strengthen its position in the Deepwater Gulf and to respond to the trend toward full field development services. Management believes that Coflexip and CDI together offer complementary products and services which significantly expand CDI's ability to provide full field development services. A product of this alliance is Quantum which was formed in April 1997. Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals and is one of the leading subsea construction contractors. Coflexip operates 10 of the 31 globally competitive construction vessels, which is the largest concentration of Deepwater vessels in the world. Headquartered in Paris, France, Coflexip employs approximately 3,500 people on five continents. In 1997, Coflexip had sales of $1.2 billion and total assets of $1.25 billion at year-end.

RESPOND TO SHALLOWER WATER FAST TRACK FIELD DEVELOPMENT

Management believes that the large amount of leased acreage in the shallower water of the Gulf and the shortages of drilling rigs and completion equipment will create a demand for fast-track drilling and development solutions. CDI's recent acquisitions of assets, its skilled personnel and its technical expertise put the Company in a strong competitive position to be able to respond to the vessel and other equipment needs for developing new oil or natural gas fields. CDI's strategic alliances also provide many of the non-vessel assets required in offshore drilling and production. CDI intends to apply these assets, technologies and capabilities in a cost effective manner in all water depths to satisfy its customers' fast-track drilling and development needs.

EXPAND THE COMPANY'S DECOMMISSIONING AND NATURAL GAS AND OIL OPERATIONS

Management believes CDI's reputation in the industry and its experience in decommissioning projects make the Company a preferred buyer of mature natural gas and oil properties. In the last three years, ERT has purchased properties from Amoco, Unocal, Texaco, Conoco, Sonat and Total. CDI is pursuing a number of opportunities to expand the number of mature offshore properties for which the Company will bid. In addition, the Company will continue, on a selective basis, to acquire non-operated working interests in fields where there is the potential of Cal Dive being awarded the decommissioning work.

RECENT DEVELOPMENTS

Since CDI's initial public offering in July 1997, CDI has (i) expanded and strengthened its relationship with Coflexip; (ii) added two deepwater vessels, MERLIN and SEA SORCERESS, and taken delivery of two Triton ROVs; (iii) purchased a significant minority equity stake in Aquatica, a shallow water diving company; (iv) acquired interests in four mature offshore producing oil and gas fields; and (v) added to its management team.

- EXPANDED AND STRENGTHENED COFLEXIP RELATIONSHIP. As part of its strategy in the Deepwater Gulf of Mexico, CDI established Quantum with its venture partner Coflexip in April 1997. Quantum will pursue full field service projects in the Gulf utilizing the services of both companies. Coflexip has chartered the DP vessel, CSO CONSTRUCTOR, to Quantum. The financial results of the joint venture will be consolidated into CDI's financial statements.

- NEW VESSELS AND ROVS.

  In December 1997, CDI acquired a DP ROV support vessel, the MERLIN. This vessel is specifically designed for Deepwater ROV intervention, survey, and coring. Twin moonpools facilitate deployment and recovery of ROVs in rough seas.

  In October 1997, CDI acquired the SEA SORCERESS, a 374 foot Deepwater service barge with a 6-point mooring system and a large moonpool. The vessel has a deck load capacity of 10,000 tons and is certified to handle 65,000 barrels of hydrocarbon storage.

  In May and June 1997, CDI took delivery of two Triton XL ROVs, the newest generation of Deepwater work class ROVs. CDI's goal is to utilize these units in support of Deepwater projects and its turnkey business rather than become a volume provider of ROVs.

- AQUATICA INVESTMENT. In February 1998, CDI purchased a significant minority stake in Aquatica, a new shallow water diving company formed by Sonny Freeman, the former Chief Operating Officer of American Oilfield Divers. This investment allows CDI to increase its participation in the shallow water market segment, which is experiencing strong demand, while maintaining the Company's focus on its Deepwater strategy.

- PURCHASE OF MATURE GAS PROPERTIES. In November 1997 and January 1998, ERT acquired interests in four mature properties located offshore of Louisiana, which combined have 12 producing wells and 11 structures.

- MANAGEMENT SUCCESSION. As part of a three year succession plan, Jerry Reuhl, CDI's Chairman since 1990, intends to resign his position and become a consultant to CDI in the second quarter of 1998. Owen Kratz, who became President of CDI in 1993 and Chief Executive Officer in April 1997, is expected to assume the role of Chairman. In January 1998, Martin Ferron became Chief Operating Officer of CDI. He has over 16 years of experience in the oilfield industry, including the last seven years in senior management positions with J. Ray McDermott and Oceaneering International, Inc. in Europe.

THE OFFERING

Common Stock offered by:	
The Selling Shareholders........	2,493,104 shares(1)
Common Stock to be outstanding after the Offering......................	14,544,831 shares(2)(3)
Use of proceeds......................	The Company will not receive any proceeds from the sale of Common Stock by the Selling Shareholders.
Nasdaq National Market Symbol........	CDIS

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(1) Does not include 373,966 shares which may be sold by certain Selling Shareholders pursuant to the Underwriters' over-allotment option. See "Principal and Selling Shareholders" and "Underwriters."

(2) Excludes 984,500 shares issuable upon exercise of outstanding options. See "Management -- Compensation Pursuant to Plans."

(3) Excludes shares which may be issued to shareholders of Aquatica. Dependent upon various pre-conditions, the shareholders of Aquatica have the right to convert their shares into Cal Dive shares at a ratio based on a formula which, among other things, must result in accretion to Cal Dive's earnings per share.

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following summary financial and operating data is qualified in its entirety by the more detailed information appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
INCOME STATEMENT DATA:			
Revenues:			
Subsea and salvage	$ 32,747	$ 63,870	$ 92,860
Natural gas and oil production	4,777	12,252	16,526
Total revenues	37,524	76,122	109,386
Gross profit	8,849	22,086	33,685
Operating income	3,917	13,795	22,489
Income before taxes	3,721	13,014	22,281
Net income	$ 2,674	$ 8,435	$ 14,482
Diluted net income per share	$ 0.24	$ 0.75	$ 1.09
OTHER DATA:			
Net cash provided by (used in):			
Operating activities	$ 11,996	$ 7,645	$ 22,294
Investing activities	(19,584)	(27,300)	(28,288)
Financing activities	7,475	19,700	18,815
EBITDA(1)	6,650	19,017	29,916
Depreciation and amortization	2,794	5,257	7,512
Capital expenditures	16,857	27,289	28,936
OPERATING DATA:			
Number of Vessels (at end of period):			
DP MSV	0	1	1
DP DSVs	2	2	3
DSVs	5	5	5
Other	1	1	2
Total vessels	8	9	11
Natural Gas & Oil Properties:			
Producing properties acquired	7	5	2
Total properties	9	14	14
Natural Gas & Oil Production:			
Gas (MMcf)	2,382	4,310	5,385
Oil (MBbls)	33	38	51

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(1) As used herein, EBITDA represents earnings before net interest and other expense, taxes, depreciation and amortization. EBITDA is frequently used by security analysts and is presented here to provide additional information about the Company's operations. EBITDA should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a more appropriate measure of liquidity.

	AS OF DECEMBER 31, 1997
	(IN THOUSANDS)
BALANCE SHEET DATA:	
Cash and cash equivalents.......	$ 13,025
Working capital.................	28,927
Total assets....................	125,600
Long-term debt..................	--
Shareholders' equity............	89,369

SUMMARY NATURAL GAS AND OIL RESERVE DATA

The following table sets forth summary data with respect to the Company's estimated proved natural gas and oil reserves and related estimated future net revenue at December 31, 1997, and is based upon the report of Miller & Lents, Ltd. ("Miller & Lents"), independent petroleum engineers. For additional information relating to the Company's natural gas and oil reserves, see "Risk Factors -- Uncertainty of Estimates of Oil and Gas Reserves" and "Business -- Natural Gas and Oil Operations" and the Supplemental Information on Oil and Gas Exploration and Producing Activities included in note 11 of the notes to Financial Statements included elsewhere in this Prospectus.

	TOTAL PROVED(1)
	(DOLLARS IN THOUSANDS)
Estimated Proved Reserves:	
Natural Gas (MMcf).................	22,245
Oil and Condensate (MBbls).........	200
Standardized measure of discounted future net cash flows(2)...........	$ 19,760

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(1) East Cameron Blocks 231 and 353 purchased in January 1998 described below are not included in the above December 31, 1997 summary. The estimated proved reserves for these blocks as of the end of 1997 were 6,504 MMcf of natural gas and 58 MBbls of oil.

(2) The standardized measure of discounted future net cash flows attributable to the Company's reserves was prepared using constant prices as of December 31, 1997, discounted at 10% per annum.

RISK FACTORS

AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS INCLUDES CERTAIN STATEMENTS THAT MAY BE DEEMED "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE EXCHANGE ACT. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS, INCLUDED IN THIS PROSPECTUS THAT RELATE TO BUSINESS PLANS OR STRATEGIES, PROJECTED OR ANTICIPATED BENEFITS OR OTHER CONSEQUENCES OF SUCH PLANS OR STRATEGIES, PROJECTED OR ANTICIPATED BENEFITS FROM ACQUISITIONS MADE BY OR TO BE MADE BY CDI OR PROJECTIONS INVOLVING ANTICIPATED REVENUES, EARNINGS, OR OTHER ASPECTS OF OPERATING RESULTS ARE FORWARD-LOOKING STATEMENTS. THE WORDS "EXPECT," "BELIEVE," "ANTICIPATE," "PROJECT," "ESTIMATE," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THE COMPANY CAUTIONS READERS THAT SUCH STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE OR EVENTS AND ARE SUBJECT TO A NUMBER OF FACTORS THAT MAY TEND TO INFLUENCE THE ACCURACY OF THE STATEMENTS AND THE PROJECTIONS UPON WHICH THE STATEMENTS ARE BASED, INCLUDING BUT NOT LIMITED TO THOSE DISCUSSED BELOW. AS NOTED ELSEWHERE, ALL PHASES OF CDI'S OPERATIONS ARE SUBJECT TO A NUMBER OF UNCERTAINTIES, RISKS AND OTHER INFLUENCES, MANY OF WHICH ARE OUTSIDE THE CONTROL OF CDI, AND ANY ONE OR A COMBINATION OF WHICH COULD MATERIALLY AFFECT THE RESULTS OF CDI'S OPERATIONS AND THE ACCURACY OF FORWARD-LOOKING STATEMENTS MADE BY CDI. THE FOLLOWING DISCUSSION OUTLINES CERTAIN FACTORS THAT COULD AFFECT CDI'S CONSOLIDATED RESULTS OF OPERATIONS FOR 1998 AND BEYOND AND CAUSE THEM TO DIFFER MATERIALLY FROM THOSE THAT MAY BE SET FORTH IN FORWARD-LOOKING STATEMENTS MADE BY OR ON BEHALF OF THE COMPANY.

VOLATILITY OF OIL AND NATURAL GAS PRICES AND CYCLICALITY OF THE OIL AND GAS INDUSTRY

The Company's business is substantially dependent upon the condition of the oil and gas industry and, in particular, the willingness of oil and gas companies to make capital expenditures on exploration, drilling and production operations offshore. The level of capital expenditures is generally dependent on the prevailing view of future oil and gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including worldwide economic activity, interest rates and the cost of capital, environmental regulation, tax policies, coordination by the Organization of Petroleum Exporting Countries ("OPEC"), the cost of exploring for and producing oil and gas, the sale and expiration dates of offshore leases in the United States and overseas, the discovery rate of new oil and gas reserves in offshore areas and technological advances. Oil and gas prices and the level of offshore drilling and production activity have been characterized by significant volatility in recent years. Although the level of offshore exploration, drilling and production activity has not declined, there can be no assurance that such activity levels will be sustained and that there will not be continued volatility in the level of drilling and production related activities. A sustained period of low hydrocarbon prices would likely have a material adverse effect on the Company's results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."

VESSEL OPERATING RISKS AND LIMITATION OF INSURANCE COVERAGE

Marine construction involves a high degree of operational risk. Hazards, such as vessels sinking, grounding, colliding and sustaining damage from severe weather conditions are inherent in marine operations. These hazards can cause personal injury or loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Damage arising from such an occurrence may result in lawsuits asserting large claims. CDI maintains such insurance protection as it deems prudent, including Jones Act employee coverage (the maritime equivalent of workers compensation) and hull insurance on its vessels. There can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all hazards to which CDI may be subject. A successful claim for which CDI is not fully insured could have a material adverse effect on the Company. Moreover, no assurance can be given that CDI will be able to maintain adequate insurance in the future at rates that it considers reasonable. As construction activity moves into deeper water in the Gulf of Mexico, construction projects tend to be larger and more complex than shallow water projects. As a result, the Company's revenues and profits are increasingly dependent on its larger vessels. While the Company currently insures its vessels against property loss due to a catastrophic marine disaster, mechanical failure or collision, the loss of any of the Company's large vessels as a result of such event could result in a substantial loss of revenues, increased costs and other liabilities and could have a material adverse effect on the Company's operating performance. See "Business -- Insurance and Litigation."

SHORTAGES OF RIGS, EQUIPMENT AND PERSONNEL

There is currently a shortage of drilling rigs, equipment and personnel in the Gulf, particularly relating to Deepwater Gulf exploration and development. The costs and delivery times of rigs, equipment and personnel have been increasing and could continue to escalate. Prolonged shortages of drilling rigs, equipment or personnel could delay the exploration for and development of natural gas and oil in the Gulf and have an adverse effect on the Company's operations.

SEASONALITY AND ADVERSE WEATHER RISKS

Marine operations conducted in the Gulf of Mexico are seasonal and depend, in part, on weather conditions. Historically, CDI has enjoyed its highest vessel utilization rates during the third and fourth quarters of the year when weather conditions are favorable for offshore exploration, development and construction activities and has experienced its lowest utilization rates in the first quarter. During certain periods of the year, CDI typically bears the risk of delays caused by adverse weather conditions. Accordingly, the results of any one quarter are not necessarily indicative of annual results or continuing trends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CONTRACT BIDDING AND ALLIANCE RISKS

A majority of CDI's projects are currently performed on a qualified turnkey basis. The revenue, cost and gross profit realized on a contract can vary from the estimated amount because of changes in offshore job conditions, variations in labor and equipment productivity from the original estimates and performance of others such as alliance partners. These variations and risks inherent in the marine construction industry may result in CDI experiencing reduced profitability or losses on projects. Although CDI has entered into a number of strategic alliances, there can be no assurance that these alliances will be successful or that contracts resulting from these alliances will not result in unforeseen operational difficulties. In addition, CDI has only recently established its Quantum venture with Coflexip. Since the venture is in its early stages, the number of projects, if any, and the benefits to the Company's business prospects and financial condition from the venture are uncertain.

UNCERTAINTY OF ESTIMATES OF NATURAL GAS AND OIL RESERVES

This Prospectus contains an estimate of the Company's proved natural gas and oil reserves and the estimated future net cash flows therefrom based upon a report prepared as of December 31, 1997 by Miller & Lents that relies upon various assumptions, including assumptions required by the Commission as to natural gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating natural gas and oil reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. Actual future production, cash flows, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves may vary substantially from those estimated in the report. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves set forth in this Prospectus. See "Business -- Decommissioning and Natural Gas and Oil Operations."

NATURAL GAS AND OIL OPERATING RISKS

The Company's natural gas and oil operations are subject to the usual risks incident to the operation of natural gas and oil wells, including, but not limited to, uncontrollable flows of oil, natural gas, brine or well fluids into the environment, blowouts, cratering, mechanical difficulties, fires, explosions, pollution and other risks, any of which could result in substantial losses to the Company. In accordance with industry practice, CDI maintains insurance against some, but not all, of the risks described above. See "Business -- Insurance and Litigation."

COMPETITION

The business in which the Company operates is highly competitive. Several of the Company's competitors are companies that are substantially larger and have greater financial and other resources than the Company. If other international companies relocate vessels to the Gulf of Mexico, levels of competition may increase and the Company's business could be adversely affected. See "Business -- Competition."

CUSTOMER CONCENTRATION

CDI's customers consist primarily of major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction companies. During 1996 and 1997, the Company derived approximately 24% and 19% of its consolidated revenue, respectively, from one customer and 11% of its consolidated revenue in 1997 from another customer. While CDI currently has a good relationship with its customers, the loss of any one of its largest customers, or a sustained decrease in demand, could result in a substantial loss of revenues and could have a material adverse effect on the CDI's operating performance.

DEPENDENCE ON KEY PERSONNEL AND RETENTION OF EMPLOYEES

CDI's success depends on the continued active participation of key management personnel. The loss of key people could adversely affect CDI's operations. The Company has two-year employment and non-compete agreements with each of its twelve senior officers. See "Management." CDI believes that its success and continued growth is also dependent upon its ability to employ and retain skilled personnel. While the Company believes that its wage rates are competitive and that its relationship with its workforce is good, a significant increase in the wages paid by other employers could result in a reduction in the Company's workforce, increases in the wage rates paid by the Company, or both. If either of these events occur for any significant period of time, the Company's profitability could be diminished and the growth potential of the Company could be impaired.

REGULATORY AND ENVIRONMENTAL MATTERS

CDI's subsea construction, inspection, maintenance and decommissioning operations and its natural gas and oil production from offshore properties (including decommissioning of such properties) are subject to and affected by various types of government regulation, including numerous federal, state and local environmental protection laws and regulations. These laws and regulations are becoming increasingly complex, stringent and expensive and there can be no assurance that continued compliance with existing or future laws or regulations will not adversely affect the operations of CDI. Significant fines and penalties may be imposed for non-compliance. See "Business -- Government Regulation" and "Business -- Environmental Regulations."

POSSIBLE VOLATILITY OF MARKET PRICE

The market price of the Common Stock may fluctuate depending on various factors, including the general economy, stock market conditions, general trends in the oilfield services industry, announcements by CDI or its competitors and variations in the Company's operating results.

VOTING CONTROL BY PRINCIPAL SHAREHOLDERS

After giving effect to this Offering, certain shareholders of CDI will own approximately 47% of the outstanding Common Stock (44% if the Underwriters' over-allotment option is exercised in full). Those shareholders are parties to a shareholders agreement which, among other things, provides for the election of directors. As a result, these current shareholders may be able to control the outcome of certain matters requiring a shareholder vote, including the election of directors. See "Business -- Coflexip Strategic Alliance," "Certain Relationships and Related Transactions" and "Principal and Selling Shareholders."

ABSENCE OF DIVIDENDS

CDI has never paid cash dividends on its Common Stock and intends for the foreseeable future to retain any earnings otherwise available for dividends for the future operation and growth of the CDI's business. In addition, CDI's financing arrangements prohibit the payment of cash dividends on its capital stock. See "Dividend Policy."

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Selling Shareholders, Coflexip and the directors and officers of CDI will beneficially own approximately 6,972,000 shares of the Common Stock, which will represent approximately 48% of the then issued and outstanding shares (45% if the Underwriters' over-allotment option is exercised in full). The Company, the Selling Shareholders, Coflexip and the directors and officers of CDI have agreed, pursuant to certain lock-up agreements, that they will not offer, sell, contract to sell, grant any option to sell, pledge, hypothecate or otherwise dispose of, directly or indirectly, any shares of Common Stock owned by them, or that could be purchased by them through the exercise of options or warrants to purchase Common Stock of the Company, for a period of 90 days after the date of this Prospectus without the prior written consent of Morgan Stanley & Co. Incorporated. After the expiration of the agreements, however, such shareholders may sell shares pursuant to Rule 144 under the Securities Act. In addition, certain shareholders, including Coflexip, have been granted "demand" and "piggyback" registration rights by the Company with respect to all of the shares of Common Stock owned by them. Although the Company cannot predict the timing or amount of future sales of Common Stock or the effect that the availability of such shares for sale will have on the market price prevailing from time to time, sales of substantial amounts of Common Stock in the public market could adversely affect the market price of the Common Stock. See "Principal and Selling Shareholders," "Description of Capital Stock -- Registration Rights" and "Shares Eligible for Future Sale."

ANTI-TAKEOVER CONSIDERATIONS

The Board of Directors of CDI has the authority, without any action by the shareholders, to fix the rights and preferences on up to 5,000,000 shares of undesignated preferred stock, including dividend, liquidation and voting rights. In addition, CDI's Articles of Incorporation divide the Company's Board of Directors into three classes. Except for a transaction involving Coflexip (which is specifically excluded), CDI also is subject to certain anti-takeover provisions of the Minnesota Business Corporations Act ("MBCA"). In addition, CDI is a party to a Shareholders Agreement that provides Coflexip with a right of first refusal in connection with certain acquisition proposals for CDI. Any or all of the provisions or factors described above may have the effect of discouraging a takeover proposal or tender offer not approved by management and the Board of Directors of CDI, and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt. See "Description of Capital Stock -- Certain Anti-Takeover Provisions" and "Certain Relationships and Related Transactions."

THE COMPANY

Cal Dive is a leading provider of subsea construction, maintenance and decommissioning services to the offshore natural gas and oil industry in the Gulf of Mexico. In July 1990, the Company was purchased by a group of investors including current management and key employees. In September 1992, Cal Dive formed ERT as a wholly owned subsidiary to purchase producing offshore natural gas and oil properties which are in the later stages of their economic lives. In January 1995, certain of the funds managed by First Reserve Corporation ("First Reserve Funds") acquired 5,549,630 shares of the Company's Common Stock. In 1997, Coflexip purchased 3,699,788 shares of the Company's Common Stock, and Quantum was organized. Most of the Company's senior and middle operations management have been actively involved with Cal Dive since the mid-1980s.

The Company traces its origins to California Divers Inc., which pioneered the use of mixed gas diving in the early 1960s when oilfield exploration off the Santa Barbara coast moved to water depths beyond 250 feet. Cal Dive commenced operations in the Gulf of Mexico in 1975. Since that time, the Company's growth strategy has consisted of three basic elements: (i) identifying niche markets that are underserviced or where no service exists, (ii) developing the technical expertise to provide the service and (iii) acquiring assets or seeking business alliances which fill the market gap.

This growth strategy has frequently involved expanding beyond the Company's main contracting base and developing innovative service capabilities to meet customer needs, including the following significant milestones:

- 1984 -- SATURATION VESSELS: Custom designed the first DSV with moonpool deployed SAT diving systems dedicated for use in the Gulf of Mexico.

- 1986 -- TURNKEY CONTRACTING: Began providing subsea construction work on a fixed price basis enabling Gulf customers to better control project costs.

- 1989 -- SALVAGE OPERATIONS: Chartered, and later acquired, the CAL DIVE BARGE I for shallow water salvage operations, a business synergistic with the Company's traditional diving services.

- 1992 -- NATURAL GAS PRODUCTION: Formed a natural gas production company, ERT, to expand customer options for decommissioning of mature offshore properties and to expand off-season salvage activity.

- 1993 -- WELL SERVICING: Added a new upstream service, well servicing, as a complement to the Company's salvage services and to exploit the value of ERT properties through enhanced recovery techniques.

- 1994 -- DYNAMIC POSITIONING: Chartered a DP DSV for use in the Gulf of Mexico, enabling the Company to work through the winter months and in deeper water. This vessel, the BALMORAL SEA, was subsequently acquired in August 1996.

- 1995 -- FIRST DP DSV: Acquired and enhanced a DP DSV, the WITCH QUEEN, to expand the Company's marine construction and subsea services to include flexible pipelay, umbilical lay, coiled line pipe installation, decommissioning and ROV support.

- 1996 -- MULTI-SERVICE VESSEL: Acquired and enhanced a semisubmersible MSV, the UNCLE JOHN, as the cornerstone of the Company's Deepwater strategy, thereby expanding its product line to include geotechnical investigation, laying of infield flowlines, installation of flexible and hard jumpers, platform risers and turnkey field development.

- 1997 -- STRATEGIC ASSET ACQUISITIONS AND ALLIANCES: Added three Deepwater vessels, created the Quantum venture with Coflexip and implemented other formal alliance agreements with offshore service and equipment providers to enhance CDI's ability to provide the necessary services and assets for full field development and life of field management.

The Company was organized under the laws of Minnesota in June 1990. The principal executive offices of the Company are located at 400 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060, and its telephone number is (281) 618-0400.

USE OF PROCEEDS

The Company will not receive any proceeds from the sale of the Common Stock offered hereby.

DIVIDEND POLICY

The Company has never paid cash dividends on its Common Stock and does not intend to pay cash dividends in the foreseeable future. The Company currently intends to retain earnings, if any, for the future operation and growth of its business. In addition, the Company's financing arrangements prohibit the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

PRICE RANGE OF COMMON STOCK

The Common Stock is traded on the Nasdaq National Market ("Nasdaq"). The Common Stock is quoted through Nasdaq under the symbol "CDIS." The following table sets forth, for the periods indicated, the high and low closing sale prices of the Common Stock as reported on Nasdaq since the Company's initial public offering in July 1997.

	HIGH	LOW
Year ended December 31, 1997		
Third Quarter	$ 373/4	$19 1/2
Fourth Quarter	38	22 1/4
Year ending December 31, 1998		
First Quarter	33	23 1/4
Second Quarter (through April 21)	363/4	32 1/2

A recent last sale price for the Company's Common Stock as reported on Nasdaq is set forth on the front cover page of this Prospectus. As of April 15, 1998 there were approximately 550 holders of record of the Common Stock.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of December 31, 1997. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Financial Statements and notes thereto included elsewhere in this Prospectus.

	AS OF DECEMBER 31, 1997
	(IN THOUSANDS)
Short-term debt	--
Long-term debt	--
Shareholders' equity:	
Common Stock, no par value, 60,000,000 shares authorized; 21,345,040 shares issued and outstanding	$ 52,832
Additional paid-in capital	--
Retained earnings	40,288
Treasury Stock, 6,820,209 shares	(3,751)
Total shareholders' equity	89,369
Total capitalization	$ 89,369

SELECTED FINANCIAL DATA

The historical financial data presented in the table below for and at the end of each of the years in the five-year period ended December 31, 1997 are derived from the consolidated financial statements of the Company audited by Arthur Andersen LLP, independent public accountants. The data should be read in conjunction with the Company's Consolidated Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA:					
Revenues:					
Subsea and salvage	$ 35,365	$ 35,718	$ 32,747	$ 63,870	$ 92,860
Natural gas and oil production	1,807	2,314	4,777	12,252	16,526
Total revenues	37,172	38,032	37,524	76,122	109,386
Cost of sales:					
Subsea and salvage	26,208	25,477	25,568	46,766	67,538
Natural gas and oil production	587	1,594	3,107	7,270	8,163
Gross profit	10,377	10,961	8,849	22,086	33,685
Selling and administrative expenses	4,075	4,657	4,932	8,291	11,196
Operating income	6,302	6,304	3,917	13,795	22,489
Other income and expenses:					
Interest expense, net	395	428	135	745	123
Other expense, net	148	69	61	36	85
Income before income taxes	5,759	5,807	3,721	13,014	22,281
Provision for income taxes	1,811	1,773	1,047	4,579	7,799
Net income	$ 3,948	$ 4,034	$ 2,674	$ 8,435	$ 14,482
Net income per share:					
Basic	$ 0.31	$ 0.48	$ 0.24	$ 0.76	$ 1.12
Diluted	0.30	0.46	0.24	0.75	1.09
Weighted average number of shares outstanding:					
Basic	12,908	8,319	11,016	11,099	12,883
Diluted	13,014	8,836	11,055	11,286	13,313
OTHER FINANCIAL DATA:					
Net cash provided by (used in):					
Operating activities	$ 4,944	$ 857	$ 11,996	$ 7,645	$ 22,294
Investing activities	(1,803)	(3,049)	(19,584)	(27,300)	(28,288)
Financing activities	(2,283)	291	7,475	19,700	18,815
EBITDA(1)	7,637	8,252	6,650	19,017	29,916
Depreciation and amortization	1,483	2,017	2,794	5,257	7,512
Capital expenditures	1,203	1,397	16,857	27,289	28,936

	AS OF DECEMBER 31,				
	1993	1994	1995	1996	1997
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Working capital	$ 5,309	$ 6,052	$ 4,033	$ 13,411	$ 28,927
Total assets	22,798	28,633	44,859	83,056	125,600
Long-term debt	5,141	3,766	5,300	25,000	--
Shareholders' equity	6,360	10,394	22,408	30,844	89,369

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(1) As used herein, EBITDA represents earnings before net interest expense, taxes, depreciation and amortization. EBITDA is frequently used by security analysts and is presented here to provide additional information about the Company's operations. EBITDA should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a more appropriate measure of liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

In recent years, Cal Dive has experienced increased demand for its services due to the increased offshore drilling and production activities in the Gulf, particularly in deeper waters over 1,000 feet. The increase in offshore drilling and production activity has been driven by a number of factors, including (i) the prospect for relatively larger hydrocarbon discoveries in deepwater areas and (ii) recent technological advances in offshore drilling and production equipment, seismic data collection and interpretation techniques, and drilling techniques, which have enhanced the economics of offshore drilling and production. As a result, Cal Dive's revenues have increased by a compound annual growth rate of 71% from $37.5 million in 1995 to $109.4 million in 1997. Similarly, net income has grown 133% compounded annually from $2.7 million in 1995 to $14.5 million in 1997.

Natural gas and oil prices, the offshore mobile rig count and Gulf of Mexico lease activity are three of the primary indicators management uses to predict the level of the Company's business. CDI's construction services generally follow successful drilling activities by six to eighteen months on the OCS and twelve to twenty-four months in the Deepwater arena. The level of drilling activity is related to both short and long-term trends in natural gas and oil prices. A decline in natural gas and oil prices generally leads to a reduction in offshore drilling activity which can lower demand for construction services. Recently, this relationship has been less pronounced due to a number of industry trends, including advances in technology that have increased drilling success rates and efficiency, and a worldwide growth in the demand for both natural gas and oil. U.S. oil and gas companies spent $24.3 billion on exploration and development in 1997 (both offshore and onshore), up 37% from 1996. The number of offshore rigs working in the Gulf of Mexico has averaged close to full utilization since mid-1995 which has led to, and management expects will lead to further, increased construction activity over the next several years. Given worldwide shortages of drilling rigs, subsea hardware and experienced personnel, efforts to drill Deepwater Gulf of Mexico leases on a timely basis have accelerated demand for the Company's subsea services resulting in improved pricing. Worldwide oil prices began to decline during the fourth quarter of 1997. The decline accelerated in the first quarter of 1998. Continued low oil prices could cause customers to scale back or eliminate 1998 drilling programs and could reduce demand for the Company's services.

Natural gas and oil prices impact the Company's operations in several respects. The Company seeks to acquire producing natural gas and oil properties that are generally in the later stages of their economic life. These properties typically have few, if any, unexplored drilling locations, so the potential abandonment liability is a significant consideration. Although higher natural gas prices tended to reduce the number of mature properties available for sale, these higher prices contributed to improved operating results for the Company in 1996 and 1997. Salvage operations consist of platform decommissioning, removal and abandonment services. In addition, salvage related support, such as debris removal and preparation of platform legs for removal, is often provided by the Company's surface diving vessels. In 1989, management targeted platform removal and salvage operations as a regulatory driven activity which offers a partial hedge against fluctuations in the commodity price of natural gas. In particular, MMS regulations require removal of platforms within eighteen months from the date production ceases and also require remediation of the seabed at the well site to its original state. In 1996 and 1997, the Company contracted and managed, on a turnkey basis, all aspects of the decommissioning and abandonment of certain large fields using third party heavy lift derrick barges, a service the Company intends to expand in the future.

The following table sets forth for the periods presented (i) average U.S. natural gas prices, (ii) the Company's natural gas production, (iii) the average number of offshore rigs under contract in the Gulf of Mexico, (iv) the number of platforms installed and removed in the Gulf of Mexico and (v) the vessel utilization rates for each of the major categories of the Company's fleet.

	1995				1996			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. Natural Gas Prices(1)	$ 1.46	$ 1.57	$ 1.47	$ 1.98	$ 3.16	$ 2.37	$ 2.15	$ 2.81
ERT Gas Production (MMcf)	241	481	865	795	970	918	1,169	1,253
Rigs Under Contract in the Gulf of Mexico(2)	119	131	143	148	149	156	161	164
Platform Installations(3)	12	17	26	22	12	35	31	30
Platform Removals(3)	14	36	23	10	11	11	25	30
Average Company Vessel Utilization Rate(4)								
Dynamically Positioned(5)	77%	--	--	90%	81%	71%	82%	92%
Saturation DSV	38%	53%	88%	88%	55%	73%	82%	88%
Surface Diving	45%	63%	77%	74%	62%	77%	85%	74%
Derrick Barge	21%	46%	63%	32%	16%	57%	91%	65%

	1997			
	Q1	Q2	Q3	Q4
U.S. Natural Gas Prices(1)	$ 2.67	$ 2.13	$ 2.46	$ 2.88
ERT Gas Production (MMcf)	1,519	1,213	1,381	1,252
Rigs Under Contract in the Gulf of Mexico(2)	165	169	168	169
Platform Installations(3)	16	21	29	39
Platform Removals(3)	3	21	31	28
Average Company Vessel Utilization Rate(4)				
Dynamically Positioned(5)	60%	79%	92%	94%
Saturation DSV	58%	77%	81%	77%
Surface Diving	53%	80%	90%	81%
Derrick Barge	22%	78%	99%	89%

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(1) Average of the monthly Henry Hub cash prices in dollars per MMBtu, as reported in Natural Gas Week.

(2) Average weekly number of rigs contracted, as reported by Offshore Data Services.

(3) Number of installation and removal of platforms with two or more piles in the Gulf of Mexico, as reported by Offshore Data Services.

(4) Average vessel utilization rate is calculated by dividing the total number of days the vessels in each category generated revenues by the total number of days in each quarter.

(5) The BALMORAL SEA was operated by the Company under charters from September 1994 to February 1995 and from April 1996 to August 8, 1996, at which time it was acquired by the Company. The Company purchased its first DP vessel, the WITCH QUEEN, in November 1995.

Vessel utilization is historically lower during the first quarter due to winter weather conditions in the Gulf of Mexico. Accordingly, the Company plans its drydock inspections and other routine and preventive maintenance programs during this period. During the first quarter, a substantial number of the Company's customers finalize capital budgets and solicit bids for construction projects. The bid and award process during the first two quarters leads to the commencement of construction activities during the second and third quarters. The Company's operations can also be severely impacted by weather during the fourth quarter. The Company's salvage barge, which has a shallow draft, is particularly sensitive to adverse weather conditions, and its utilization rate will be lower during such periods. To minimize the impact of weather conditions on the Company's operations and financial condition, CDI began operating DP vessels and expanded into the acquisition of mature offshore properties. The unique station-keeping ability offered by dynamic positioning enables these vessels to operate throughout the winter months and in rough seas. Operation of natural gas and oil properties tends to offset the impact of weather since the first and fourth quarters are typically periods of high demand for natural gas and of strong natural gas prices. Due to this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

RESULTS OF OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

REVENUES. Consolidated revenues of $109.4 million in 1997 were 44% more than the $76.1 million reported during 1996 due primarily to the addition of DP vessels, improved demand for traditional subsea services and increased natural gas and oil production. Revenues from DP vessels increased 89% to $47.6 million in 1997 as compared to the prior year due to the full year operations of the BALMORAL SEA and UNCLE JOHN (vessels placed in service in April and October 1996, respectively). This increase, combined with stronger market conditions for surface diving and supply boats offset the impact of seven vessels being out of service for a combined 48 weeks for regulatory inspections, preventative maintenance, vessel upgrades and unscheduled repairs. During 1996 only two such vessels were out of service for any significant length of time.

Revenue from natural gas and oil production was $16.5 million for the year ended 1997 from 14 properties as compared to $12.3 million in 1996 from nine properties. The 1997 revenue benefited from prior year well enhancement efforts. Average gas sales prices improved slightly in 1997 compared to 1996.

GROSS PROFIT. Gross profit increased by $11.6 million, or 53%, from $22.1 million in 1996 to $33.7 million in 1997. The addition of the UNCLE JOHN and BALMORAL SEA to the Company's fleet were responsible for over half of the increase. The remaining increase was due to improved demand for traditional subsea services and increased natural gas and oil production. Subsea and Salvage margins were unchanged between 1997 and 1996 despite the Company encountering difficulties on a large construction project in the third quarter of 1997 and the unusually active 1997 regulatory inspection and maintenance program which resulted in Subsea and Salvage repair costs of $6.3 million as compared to $3.4 million in 1996.

Natural gas and oil production gross profit was $8.4 million for the year ended December 31, 1997 as compared to $5.0 million for the prior year. The increase was due mainly to the acquisition of five blocks during the second half of 1996 and the gain recorded on the sale of two properties during the second quarter of 1997.

SELLING & ADMINISTRATIVE EXPENSES. Selling and administrative expenses were 10% of 1997 revenues, an improvement from 11% in 1996. Such expenses in 1997 were $11.2 million as compared to $8.3 million in 1996. The increase was due mainly to the addition of new personnel to support the Company's deepwater strategy and growth in its base business and to higher levels of bonuses. The remainder of the increase was due to the ERT incentive compensation program whereby key management personnel share in the improved earnings of the natural gas and oil production segment.

NET INTEREST. Net interest expense decreased by $622,000 (from $745,000 in 1996 to $123,000 in 1997) due mainly to the Company retiring all debt in July 1997 with the proceeds received from the initial public offering. Borrowings under the Revolving Credit Agreement averaged $20.1 million during the first half of 1997 prior to the July 1997 retirement as compared to $13.0 million during 1996.

INCOME TAXES. Income taxes were $7.8 million for 1997 as compared to $4.6 million for the prior year. The increase was due to the Company's increased profitability. Higher depreciation related to the newly acquired DP vessels resulted in a reduction of the amount of cash taxes paid (as a percentage of pre-tax income) in 1997 compared to 1996 and also a corresponding increase in the deferred tax liability.

NET INCOME. Net income increased 72% to $14.5 million for the year ended December 31, 1997 as compared to $8.4 million in 1996 as a result of factors described above.

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Consolidated revenues of $76.1 million in 1996 were more than double the $37.5 million reported in the prior year due primarily to the addition of new DP vessels and to higher commodities prices and increased production from natural gas and oil properties. A full year of operations from WITCH QUEEN (placed in service in November 1995) and the additions of BALMORAL SEA and UNCLE JOHN (placed in service in April and October 1996) increased revenues from the DP vessels to 33% of consolidated 1996 revenues compared to 10% in 1995. The establishment of a new management team resulted in improved performance in the operation of the salvage assets, which included the removal of four large structures by subcontracting heavy lift barges. Natural gas and oil production from 14 offshore blocks owned at year-end 1996 was $12.3 million compared to $4.8 million in 1995. This increase of $7.5 million, or 156%, was a result of natural gas prices increasing by approximately 58% and to production from the five properties acquired in 1996, as well as the full year contributions of the Company's other properties.

GROSS PROFIT. Gross profit increased by $13.2 million in 1996, from $8.8 million in 1995 to $22.1 million in 1996. Improved rates and performance on turnkey contracts resulted in subsea and salvage margins increasing from 22% in 1995 to 27% in 1996. This increase reflects in part the benefit of operating five specialized vessels capable of supporting saturation diving. Gross profit from salvage assets was $2.2 million in 1996, or 13% of that generated by subsea and salvage operations, in contrast to "break-even" results for the prior year. Natural gas and oil production gross profit was $5.0 million in 1996 compared to $1.7 million in the prior year, with the $3.3 million increase resulting from higher natural gas prices and greater production levels.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses were 11% of 1996 revenues, an improvement from 13% in 1995. Such expenses in 1996 were $8.3 million as compared to $4.9 million in 1995. Payments of $2.3 million made under 1996 incentive plans represented an increase of $2.0 million over 1995. The balance of the increase reflected higher sales and administrative costs necessary to support the 103% increase in 1996 revenues.

NET INTEREST. Net interest expense increased by $610,000 (from $135,000 in 1995 to $745,000 in 1996) due to the borrowings incurred in conjunction with the acquisition of the BALMORAL SEA and UNCLE JOHN. Borrowings under the Revolving Credit Agreement averaged $13.0 million in 1996 compared to $6.0 million in 1995.

INCOME TAXES. Income taxes of $4.6 million compares to $1.0 million in 1995 as a result of significant increases in 1996 margins and profitability. The effective tax rate increased significantly, from 28% to 35%, because the Company no longer qualified for the "Small Producer" tax benefit of percentage depletion. Higher depreciation related to the new DP vessels resulted in a reduction in the amount of cash taxes paid. In 1996, cash payments for income taxes were $2.2 million, or 48% of the total $4.6 million tax provision.

NET INCOME. In 1996, net income of $8.4 million increased $5.8 million, or 215%, from 1995 as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically funded its operating activities principally from internally generated cash flow, even in an industry-depressed year such as 1992. The 1995 equity infusion from the First Reserve Funds and its investment funds, together with internally generated cash flow, enabled the Company to formulate and implement its deepwater expansion strategy.

As of December 31, 1997, the Company had $28.9 million of working capital (including $13.0 million of cash on hand) and no debt outstanding. The Company completed an initial public offering of common stock on July 7, 1997, with the sale of 2,875,000 shares generating net proceeds to the Company of approximately $39.5 million, net of underwriting discounts and issuance costs. The proceeds were used to fund capital expenditures during 1997, and to repay all outstanding long-term indebtedness. In January, 1998, the Company acquired interests in six blocks involving two separate fields (including 49 wells). The Company also purchased a significant minority stake in Aquatica, Inc. (a shallow water diving company) in February 1998 for cash and a commitment to lend additional funds of $5 million to allow Aquatica to purchase vessels and fund other growth opportunities. As of March 31, 1998, the Company had no debt outstanding and maintained $11 million of cash on hand after funding the acquisition of two vessels in late 1997 (SEA SORCERESS and MERLIN), ERT's purchase of the offshore properties mentioned above and the equity investment in Aquatica, Inc. Additionally, the Company has approximately $37 million available under a Revolving Credit Agreement with Fleet Capital Corporation, as amended, which terminates on December 31, 2000 (the "Revolving Credit Agreement"). The Company has had, and anticipates having additional discussions with third parties regarding possible asset acquisitions (including natural gas and oil properties and vessels). However, the Company can give no assurance that any such transaction can be completed.

OPERATING ACTIVITIES. Net cash provided by operating activities was $22.3 million in 1997, as compared to $7.6 million provided in 1996. This increase was primarily the result of increased profitability and a decline in the level of funding required to fund accounts receivable increases ($5.8 million required in 1997 compared to $15.3 million in 1996). In addition, depreciation and amortization increased as a result of vessel and natural gas and oil properties acquisitions. The Company experienced improved collections of its billed accounts receivable during 1997 as compared to the prior year. Total accounts receivable increased $5.8 million at December 31, 1997, as compared to December 31, 1996, due to the 44% growth in revenues. The revenue allowance on gross amounts billed increased $800,000 as of December 31, 1997 compared to $1,021,000 at December 31, 1996 due to the aforementioned increase in activity and certain billing issues that were subsequently negotiated within the allowances provided.

Net cash provided by operating activities was $7.6 million in 1996 as compared to $12.0 million in 1995, with the decrease principally a result of $15.3 million necessary to fund an increase in accounts receivable. Accounts receivable increased 140% over the prior year, a level greater than the 103% increase in revenues due to the significant increase in revenues from offshore activity at the end of the Company's fiscal year 1996 which led to a much higher accounts receivable balance at December 31, 1996. This increase in activity and revenues also resulted in a significant increase in the revenue allowance on gross amounts billed for the reasons described above. Depreciation and amortization also increased by $2.5 million as a result of the new vessel additions. However, as noted previously, overall subsea and salvage margins increased from 22% in 1995 to 27% in 1996 notwithstanding higher depreciation charges. The additional depreciation increased the provision for deferred income taxes which was $2.1 million in 1996, compared to $600,000 in the prior year.

INVESTING ACTIVITIES. Capital expenditures have consisted principally of strategic asset acquisitions including the WITCH QUEEN, BALMORAL SEA, UNCLE JOHN, SEA SORCERESS and MERLIN, improvements to existing vessels and the acquisition of offshore natural gas and oil properties. The Company incurred $28.9 million of capital expenditures during 1997. During the third quarter, the Company acquired a 374 foot by 104 foot ice-strengthened vessel (the SEA SORCERESS). During the fourth quarter, the Company acquired a 198 foot by 40 foot DP vessel (the MERLIN) designed for long term ROV, survey and coring support. The remaining capital expenditures included the acquisition of two work class ROVs from Coflexip, the costs associated with installation of a derrick on the UNCLE JOHN and the cash portion of the fourth quarter natural gas and oil properties acquisition discussed below.

During the second quarter of 1997, the Company sold two offshore natural gas and oil properties for approximately $1.0 million. While divesting properties runs counter to the corporate goal of growing ERT, the transaction enabled CDI to lock in acquisition economics and to dispose of a major exploratory block where ERT was not the operator. This transaction was structured as a Section 1031 "Like Kind" exchange for tax purposes. Accordingly, the cash received was restricted to use for acquisition of additional natural gas and oil properties. This restriction was removed in the fourth quarter with the acquisition of property interests in two offshore blocks.

From 1993 through January 1998, the Company has invested $19 million, including $8 million in cash, to acquire 18 offshore natural gas and oil properties in nine separate transactions. ERT offshore property acquisitions are recorded at the value exchanged at closing together with an estimate of its proportionate share of the decommissioning liability assumed in the purchase based upon its working interest ownership percentage. Only the cash paid at closing is reflected in the Company's statement of cash flows together with bond and escrow deposits required in connection with these purchases. The MMS requires an operator bond, and certain of the purchase and sale agreements have required the Company to fund portions of the estimated decommissioning liability. Accordingly, the Company's balance sheet as of December 31, 1997 included $5.7 million of cash deposits restricted for abandonment obligations which aggregated $6.5 million on that date. In addition, the Company had also issued letters of credit totaling $2.9 million at December 31, 1997 in lieu of cash deposits in connection with property acquisitions.

FINANCING ACTIVITIES. The Company has financed seasonal operating requirements and capital expenditures with internally generated funds, borrowings under credit facilities, and the sale of Common Stock. The Revolving Credit Agreement currently provides for a $40.0 million revolving line of credit. The Revolving Credit

Agreement is secured by trade receivables and mortgages on the Company's vessels. The Revolving Credit Agreement prohibits the payment of dividends on the Company's capital stock and contains only one financial covenant (a fixed charge coverage ratio) and a limitation that debt not exceed $60 million. Interest on borrowings under the Revolving Credit Agreement is equal to LIBOR plus a percentage (currently 1.25%) pursuant to a formula based upon EBDIT (as defined therein). No borrowings were outstanding at December 31, 1997. Letters of credit are also available under the Revolving Credit Agreement which the Company typically uses if performance bonds are required or, in certain cases, in lieu of purchasing U.S. Treasury Bonds in conjunction with gas and oil property acquisitions.

During the first two quarters of 1997, the Company repaid $5 million, net of its borrowings under the Revolving Credit Agreement and in the third quarter repaid the remaining $20 million outstanding with proceeds from its initial public offering. Also, during the second quarter the Company completed a transaction with Coflexip whereby Coflexip agreed to accept treasury shares as payment for two ROVs ordered in February.

CAPITAL COMMITMENTS. In connection with its business strategy, management expects the Company to acquire or build additional vessels, upgrade or convert existing vessels, acquire other assets such as ROVs, as well as seek to buy additional natural gas and oil properties. Depending upon the size of any future acquisitions, the Company may require additional debt financing, possibly in excess of the Revolving Credit Agreement, as amended, or additional equity financing. Other than potential asset acquisitions, management believes the net cash generated from operations and available borrowing capacity under the Revolving Credit Agreement will be adequate to meet funding requirements for 1998.

IMPACT OF YEAR 2000 ISSUE

The Company has assessed what computer software will require modification or replacement so that its computer systems will properly utilize dates beyond December 31, 1999. The Company has purchased, and is presently implementing, a new project management accounting system which is Year 2000 compliant. This system, which fully integrates all of its modules, will provide project managers and accounting personnel with up-to-date information enabling them to better control jobs in addition to providing benefits of inventory control and planned vessel maintenance. This implementation will be completed during 1998. Accordingly, the Company believes that with this conversion, the Year 2000 issue will be resolved in a timely manner and presently does not believe that the cost to become Year 2000 compliant will have a material adverse effect on the Company's consolidated financial statements. Finally CDI's vessel computer DP systems are dependent on government satellites which have not yet confirmed that they have solved Year 2000 data transmission problems.

BUSINESS

GENERAL

CDI is a leading subsea contractor providing construction, maintenance and decommissioning services to the oil and gas industry from the shallowest to the deepest waters in the Gulf of Mexico. Over three decades, CDI has developed a reputation for innovation in underwater construction techniques and equipment. With its diversified fleet of 11 vessels, CDI performs services in support of drilling, well completion and construction projects involving pipelines, production platforms and risers and subsea production systems. Through ERT, the Company acquires and operates mature offshore natural gas and oil properties which provides customers a cost effective alternative to the decommissioning process. The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms. See Note 10 of the notes to Consolidated Financial Statements for financial information with respect to the Company's business segments.

In water depths up to 1,000 feet, CDI performs traditional subsea services which include air and SAT diving in support of marine construction activities. CDI is uniquely qualified to provide these services in the Gulf "spot market" where projects are generally turnkey in nature, short in duration (two to 30 days) and require constant rescheduling and availability of multiple vessels. Of the Company's 11 vessels that perform these traditional services, five support SAT diving and three of these have DP systems. CDI has the largest fleet of SAT and DP vessels permanently deployed in the Gulf. In addition, the Company's highly qualified personnel have the technical and operational experience to manage turnkey projects to satsify customers' requirements and achieve CDI's targeted profitability. Between 1993 and 1996 leases awarded in the Gulf's shallower waters more than doubled pushing offshore rig utilization in the Gulf over 90%. Demand for CDI's services typically follows drilling activity in the shallower waters by six to 18 months and in the Deepwater by 12 to 24 months.

As the activity in the Deepwater Gulf of Mexico continues to increase, technological challenges inherent to the environment are requiring subsea contractors to develop new and modify existing technology. Through its Deepwater Technical Services Group, CDI provides integrated solutions to satisfy its customers' Deepwater construction and maintenance needs. With a fleet of five Deepwater-capable vessels, CDI has the most technically diverse fleet permanently deployed for the delivery of these subsea solutions in the Gulf. This fleet includes the DP multi-service vessel UNCLE JOHN, three DP vessels, WITCH QUEEN, BALMORAL SEA, and MERLIN, and the Deepwater service barge, SEA SORCERESS. Quantum, the Company's joint venture with Coflexip, is now offering a sixth vessel, CSO CONSTRUCTOR. The alliance with Coflexip and other alliances with offshore service and equipment providers enhance CDI's ability to provide both full field development and life of field services. In 1997, the Deepwater Gulf experienced record lease sales, increased drilling activity, new discoveries, increased subsea development and advances in drilling and completion technology. The Company believes that the Deepwater Gulf of Mexico will continue to be among the most active exploration and development areas.

The Company is a leader in the decommissioning of mature oil and gas properties in the shallow water Gulf of Mexico. According to Offshore Magazine, CDI performed 32% of all structure removal projects in the Gulf of Mexico from January 1, 1996 through June 30, 1997 with the next closest competitor at 13%. The Company also acquires produces and develops mature properties prior to their decommissioning and as such is one of few companies with the combined attributes of financial strength, reservoir engineering, operations expertise and company-owned salvage assets acquiring mature properties in the Gulf of Mexico.

COMPANY STRENGTHS

DIVERSIFIED FLEET OF VESSELS

CDI's fleet provides a full complement of subsea construction, maintenance, and decommissioning project capabilities. CDI distinguishes itself by having the largest fleet of vessels with fully redundant DP systems permanently deployed in the Gulf. The fleet consists of one semisubmersible DP MSV (UNCLE JOHN), four DP DSV's (WITCH QUEEN, BALMORAL SEA and MERLIN), one Deepwater service barge (SEA SORCERESS), two 4-point moored saturation DSVs (CAL DIVER I and II), three other DSVs, two work class ROVs and a salvage barge. This fleet enables the Company to operate in all Gulf water depths where development is currently contemplated. The services provided by the Company's vessels are both overlapping and complementary in a number of market segments, enabling the Company to deploy its vessels to areas of highest utility and margin potential in all water depths where development is currently contemplated. The vessels serve as work platforms for activities performed by divers in water depths of less than 1,000 feet and by ROVs for projects at all depths. The Company intends to continue to expand the capabilities of its diversified fleet through the acquisition of additional vessels and assets.

EXPERIENCED PERSONNEL AND TURNKEY CONTRACTING

A shortage of experienced personnel has resulted in a trend in the oil and gas industry of transferring more responsibility to contractors and suppliers. Management believes that a key element of its growth strategy and success has been its pioneering role in providing turnkey contracting and its ability to attract and retain experienced industry personnel. The Company's highly qualified personnel enable it to compete effectively in the Gulf's unique "spot market" for offshore construction projects and to manage turnkey projects to satisfy customer needs and achieve CDI's targeted profitability. Because of its experience with turnkey contracting and the recognized skill of its personnel, the Company believes it is well positioned to capitalize on the trend in the natural gas and oil industry towards outsourcing additional responsibility to contractors.

DEEPWATER TECHNICAL SERVICES

CDI has established a unique niche in the Deepwater Gulf by assembling the specialized assets, technical personnel and exclusive alliance agreements that provide a cost effective solution to the rising demand for Deepwater services. CDI's mono-hulled DP vessels provide a flexible work platform to launch ROVs and support subsea construction in most weather conditions. Likewise, the Company's MSV, the UNCLE JOHN, has demonstrated the ability to perform certain well completion tasks previously undertaken using more expensive drilling equipment. These vessels, in combination with ROVs, allow CDI to control key assets involved in Deepwater subsea construction and field development. As a result, the Company is able to meet the fast track requirements of Deepwater development projects. In April 1997, CDI and Coflexip established Quantum to undertake Deepwater construction projects and provide integrated services and technology to its customers drawing upon the capabilities and strengths of both companies. Coflexip chartered the DP vessel CSO CONSTRUCTOR to Quantum in 1998.

MAJOR PROVIDER OF SATURATION DIVING SERVICES

Saturation diving is required for diving operations in water depths beyond 300 feet. Management believes that CDI is the largest provider of SAT diving services and operates the largest fleet of SAT diving vessels permanently deployed in the Gulf. All of CDI's SAT diving vessels have moonpool systems, which allow safe diver deployment in adverse weather conditions. Because Deepwater field developments must be tied into the existing Gulf infrastructure, management believes there will be increasing demand for the Company's SAT diving services.

LEADER IN SHALLOW WATER SALVAGE OPERATIONS

The Company has established a leading position in the decommissioning of facilities in the shallow water Gulf of Mexico. According to Offshore Magazine, CDI performed 32% of all structure removal projects in the Gulf from January 1, 1996 through June 30, 1997. The Company expects the demand for decommissioning services to increase. Over 75% of the 3,800 platforms in the Gulf of Mexico are over ten years old and there are approximately 15,000 wells that must ultimately be decommissioned. Since 1989, Cal Dive has undertaken a wide variety of decommissioning assignments, most on a turnkey basis. When the structure to be removed exceeds the capacity of CDI's equipment, the Company has successfully project managed the decommissioning of large fields by subcontracting the heavy lift to third party vendors.

OPERATION OF MATURE NATURAL GAS AND OIL PROPERTIES

CDI formed ERT in 1992 to exploit a market opportunity to provide a more efficient solution to the abandonment of offshore properties, to expand Cal Dive's off season salvage and decommissioning activity and to support full field development projects. CDI has assembled a team of personnel experienced in geology, reservoir and production engineering, facilities management and lease operations which allows ERT to maximize production at the properties until they are decommissioned. The Company has acquired interests in 21 mature producing leases in the last five years, one of which has been decommissioned and two of which were sold in May 1997. Mature properties are generally those properties where decommissioning costs are significant relative to the value of remaining natural gas and oil reserves. CDI seeks to acquire properties that it can operate to enhance remaining production, control operating expenses and manage the cost and timing of the decommissioning. Management believes that CDI is one of the few companies which combines financial strength, reservoir engineering and operations expertise with the availability of company-owned salvage assets acquiring mature properties in the Gulf of Mexico. These attributes result in significant strategic and cost advantages. Since acquiring its initial property in late 1992, the Company has increased estimated proved reserves to approximately 23.4 Bcfe of natural gas and oil at December 31, 1997. In November 1997 and January 1998, ERT purchased four properties which represented approximately 5% of the estimated proved reserves at December 31, 1997.

GROWTH STRATEGY

FOCUS ON THE GULF OF MEXICO

CDI intends to maintain its focus on the Gulf of Mexico where the Company is well positioned to respond to rising market demand for services in all water depths. Natural gas and oil exploration, development and production activity levels in the Gulf of Mexico have increased significantly as a result of several factors, including: (i) improvements in exploration technologies such as computer aided exploration and 3D seismic, which have enhanced reservoir mapping, increased drilling success rates and led to entirely new prospects such as the "Subsalt" play; (ii) improvements in subsea completion and production technologies, which have resulted in increased Deepwater drilling and development; (iii) expansion of the region's production infrastructure, which has improved the economics of developing both Deepwater and smaller natural gas and oil fields; and (iv) the short reserve life characteristic of Gulf of Mexico natural gas production, which requires continuous drilling to replace reserves and maintain production. In recent years there have been significant new field discoveries in the Deepwater Gulf of Mexico, including 11 in 1997. Both 1997 and 1998 lease sales by the MMS of Gulf of Mexico properties attracted record bidding levels both in terms of the number of leases receiving bids and the amount of capital exposed, including a record level of interest in Deepwater blocks. Even though 20% less acreage was being offered in 1998 as compared to the Central Gulf lease sale in 1997, the total capital exposed was $1.4 billion versus $1.2 billion for the prior year. Recent Deepwater discoveries have led to new market opportunities as well as increased demand for the Company's services, as reflected in both higher vessel utilization rates and operating margins. In addition, the anticipated increase in drilling activity following the record lease sales should result in increased demand for CDI's services.

CAPTURE A SIGNIFICANT SHARE OF THE DEEPWATER MARKET

As activity in the Gulf of Mexico continues to increase there exists a growing need for new applications of subsea services and technology and new subsea contractors to develop and deploy that technology. Customers purchasing such services typically prefer a specialized vessel with redundant DP systems as a work platform. CDI has the largest fleet of such vessels operating in the Gulf. The Company believes that well completion, subsea installation and infield connection projects have become more critical in an era of limited availability of Deepwater drilling equipment. Through its Deepwater Technical Services Group, the Company provides integrated solutions to satisfy its customers' Deepwater subsea construction and maintenance needs. The Company's MSV UNCLE JOHN has the capacity to undertake certain well completion activities at lower day rates than semisubmersible drilling rigs, thereby reducing cost to the operator and releasing the drilling rig for other projects. CDI has negotiated formal alliance agreements with a number of specialized contractors, as well as establishing Quantum with Coflexip, to provide a full range of services necessary to Deepwater construction projects. These strategic alliances include Quantum and exclusive agreements with Schlumberger, Shell Offshore, Inc., Reading & Bates Development Co., Fugro-McClelland Marine GeoSciences, Inc., Sonat, Inc. and Quality Tubing, Inc. CDI is also a preferred installation contractor to Total Offshore Productions Systems ("TOPS"), a company formed by Reading & Bates Development Co. and Intec Engineering, Inc. to conduct

Deepwater full field development projects. The objective of this strategy is to increase the proportion of Deepwater field development expenditures captured by Cal Dive while reducing the project duration and overall costs to the operator.

To gain a greater share of the Deepwater market, the Company is designing the first sixth-generation multi-service vessel, the MSV 3500. The vessel would be a new generation of the semisubmersible design of the MSV UNCLE JOHN, unique due to the absence of lower hull cross bracing. Planned variable deck load of approximately 4,000 metric tons and a large deck area would make the vessel particularly well suited for large offshore construction projects in Deepwater. High transit speed would allow it to move rapidly from one location to another. CDI is currently attempting to secure long-term utilization contracts and industry partners for the vessel. There can be no assurance that the MSV 3500 will be built or that such contracts and industry partners will be obtained.

CAPITALIZE ON SYNERGIES WITH COFLEXIP

CDI entered into a strategic alliance with Coflexip to strengthen its position in the Deepwater Gulf and to respond to the trend toward full field development services. Management believes that Coflexip and CDI together offer complementary products and services which significantly expand CDI's ability to provide full field development and life of field services. A product of this alliance is Quantum which was formed in April 1997. Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals and is one of the leading subsea construction contractors and is one of the leading subsea contractors. Coflexip operates 10 of the 31 globally competitive construction vessels, the largest concentration of deepwater vessels in the world. Headquartered in Paris, France, Coflexip employs approximately 3,500 people on five continents. In 1997, Coflexip had sales of $1.2 billion and total assets of $1.25 billion at the end of the year.

RESPOND TO EQUIPMENT REQUIREMENTS FOR FIELD DEVELOPMENT

Management believes that the large amount of leased acreage in the Gulf and the shortages of drilling rigs and completion equipment will create a demand for fast-track drilling and development solutions. CDI's recent acquisitions of assets, its skilled personnel and its technical expertise put the Company in a strong competitive position to be able to respond to the vessel and other equipment needs for developing new oil or natural gas fields. CDI's strategic alliances also provide many of the non-vessel assets required in offshore drilling and production. CDI intends to apply these assets technologies and capabilities in a cost effective manner in all water depths to satisfy its customers' fast-track drilling and development needs.

EXPAND THE COMPANY'S DECOMMISSIONING AND NATURAL GAS AND OIL OPERATIONS

Management believes CDI's reputation in the industry and experience in decommissioning projects make the Company a preferred buyer of mature natural gas and oil properties. Specifically, customers can sell an offshore property at a reasonable price with the assurance that the offshore property will be decommissioned in accordance with regulatory requirements. In the last three years, ERT has purchased properties from Unocal, Texaco, Conoco, Sonat and Total. CDI is pursuing a number of opportunities to expand the number of mature offshore properties for which the Company will bid. In addition, CDI will continue, on a selective basis, to acquire non-operated working interests in fields where there is the potential of CDI being awarded decommissioning work. These fields expand the universe of potential ERT property acquisitions.

THE INDUSTRY

INDUSTRY OVERVIEW

In the Gulf of Mexico, demand for offshore exploration, development and production services has increased considerably due to, among other factors, (i) increased exploration and development expenditures by major and independent oil companies (ii) the potential for relatively large oil and gas discoveries in offshore areas, particularly in previously unexplored Deepwater areas, (iii) technological advances in exploration, development and production techniques, including seismic data collection and interpretation (particularly with respect to 3-D seismic data), drilling techniques, subsea completion and production equipment, and mobile production units, (iv) increasing demand for natural gas and oil, (v) stable North American natural gas prices and (vi) royalty relief granted by the U.S. government for oil and gas produced from wells drilled in newly acquired Deepwater blocks in the Gulf of Mexico. These factors have increased exploration for and development of new reserves in Deepwater areas that were previously considered commercially marginal.

This increased interest in offshore exploration, development and production has also been evidenced by the significant increase in Gulf of Mexico lease sales by the MMS and the record breaking results of these sales. Importantly, the results of these lease sales demonstrate the increasing interest in the Deepwater. The following table sets forth for the periods presented results from recent MMS lease sales in the Gulf,

	MMS LEASE SALES				
	WESTERN GULF SALES		CENTRAL GULF SALES		
	1996	1997	1996	1997	1998
Blocks receiving bids................	617	804	1,381	1,790	1,188
Deepwater bids.......................	321	603	401	535	539
Total capital exposed ($MM)..........	$ 504	$ 939	$ 716	$ 1,242	$ 1,350
Average dollars bid per block ($000)...............................	577	766	563	799	1,020

Additionally, a study by the MMS forecasts that production from the Gulf will shift toward the Deepwater areas. In 1995, 7% of total Gulf of Mexico production came from Deepwater areas compared to 43% estimated by the year 2000.

This activity has resulted in increased demand for drilling and production equipment and services, as evidenced by the increase in the average Gulf of Mexico contracted utilization rate for all marketed offshore drilling rigs from 73% in 1992 to 99% in 1997 and 98% in the first quarter of 1998. Recently, most offshore drilling contractors have announced plans to upgrade existing rigs to drill in deeper water and harsher environments or to build new Deepwater capable rigs. Based on reports from Offshore Data Services related to new drilling rig construction, it is anticipated that the number of rigs worldwide capable of drilling in greater than 1,000 feet of water will increase from 156 at December 31, 1997 to 203 by the year 2000. In addition, subsea installations (number of production trees) in the Gulf of Mexico will increase 60% to 40 planned or under construction in 1998 from 25 for 1997. The foregoing statements concerning future industry conditions are forward-looking statements, and, although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be met. See "Risk Factors."

SUBSEA SERVICES

The subsea services industry in the Gulf of Mexico originated in the early 1960s to assist natural gas and oil companies with their offshore operations. The industry has grown significantly since the early 1970s as these companies have increasingly relied upon offshore fields for production. Subsea services are required throughout the economic life of an offshore field and include at various phases the following services, among others:

- EXPLORATION. PRE-INSTALLATION SURVEY; RIG POSITIONING AND INSTALLATION ASSISTANCE; DRILLING INSPECTION; SUBSEA EQUIPMENT MAINTENANCE; SEARCH AND RECOVERY OPERATIONS.

- DEVELOPMENT. INSTALLATION OF PRODUCTION PLATFORMS; INSTALLATION OF SUBSEA PRODUCTION SYSTEMS; PIPELAY SUPPORT INCLUDING CONNECTING PIPELINES TO RISERS AND SUBSEA ASSEMBLIES; PIPELINE STABILIZATION, TESTING AND INSPECTION; CABLE AND UMBILICAL LAY AND CONNECTION.

- PRODUCTION. INSPECTION, MAINTENANCE AND REPAIR OF PRODUCTION STRUCTURES, RISERS AND PIPELINES AND SUBSEA EQUIPMENT.

- DECOMMISSIONING. DECOMMISSIONING AND REMEDIATION SERVICES; PLUGGING AND ABANDONMENT SERVICES; PLATFORM SALVAGE AND REMOVAL; PIPELINE ABANDONMENT; SITE INSPECTIONS.

The industry has grown principally due to the economic benefits of new and advanced technologies and custom designed equipment and recently has focused more on Deepwater projects and the integrated "full field development" service concept described below.

FULL FIELD DEVELOPMENT

CDI and its alliance partners can offer oil and gas companies a range of services from subcontracting to complete field development solutions. CDI and its partners are able to provide a complete range of subsea systems and services, from procurement and installation of flowlines, wellheads, control systems, umbilicals and manifolds to installation and commissioning of the complete production system. Many oil and gas companies prefer to contract with a consortium capable of undertaking major portions or all of an entire field development project. Full field development services can relieve a customer of substantially all of the burdens of management of field development and thereby avoid many of the risks inherent in traditional contracting strategies. Field development partnerships can also allow oil and gas companies to increase outsourcing of development work. CDI's strategic alliances provide it with the necessary capabilities to pursue field development contracts.

OPERATIONS AND EQUIPMENT

SUBSEA CONSTRUCTION VESSELS. Subsea services are typically performed with the use of specialized subsea construction vessels which provide an above water platform that functions as an operational base for divers in water depths up to 1,000 feet and ROVs at all water depths. Distinguishing characteristics of subsea construction vessels include DP systems, SAT diving capabilities, deck space, deck load, craneage and moonpool launching. Deck space, deck load and craneage are important features of the vessel's ability to transport and fabricate hardware, supplies and equipment necessary to complete subsea projects. Vessels with greater deck space and load capacities have the flexibility to service more complex projects in deeper water. A moonpool is a structure built into the center of the vessel, which enables safe and efficient launching of ROVs and SAT diving systems in harsh weather conditions. These characteristics will generally dictate the types of jobs undertaken and the conditions and water depths in which the vessel is capable of working.

DYNAMIC POSITIONING. DP systems allow a vessel to maintain position without the use of anchors, and therefore enhance productivity in adverse weather conditions and are preferred for Deepwater applications. Computer controlled thrusters mounted on the vessel's hull ensure the proper counteraction to wind, current and wave forces to maintain position. Since no anchors are required, risks associated with objects snagging on pipelines or other underwater structures are minimized. The capabilities provided by the Company's DP vessels have allowed CDI to penetrate new markets and provide additional services to the Deepwater market such as flexible pipelay, well servicing, coring and general field support.

REMOTELY OPERATED VEHICLES. ROVs are robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and at depths for tasks where the use of divers is uncompetitive or impossible. One of the ROVs acquired from Coflexip has been permanently installed on the UNCLE JOHN. The second ROV is a mobile system working on the other CDI vessels. CDI believes that purchasing ROVs will enable it to better control the quality and cost of its services, replacing the need to rely upon third party equipment and personnel for critical path operations.

SATURATION DIVING. SAT diving, required at water depths greater than 300 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site. The divers are transferred from the surface to the work site by a diving bell. After completion of the work, the bell is lifted back to the DSV and the divers return to the chamber to be replaced by a new group of divers who are lowered to the job site to continue the work. SAT diving systems allow for continuous operations to be conducted 24 hours a day. The primary advantage of SAT diving is that divers can remain under pressure and make repeated dives for extended periods before beginning decompression. Overall productivity and safety is therefore enhanced due to fewer decompressions, diver continuity and a lower likelihood of delays caused by adverse weather conditions.

SURFACE DIVING. Surface diving is the primary diving technique performed in water depths less than 300 feet. Divers are linked to the surface by a diving umbilical containing air lines and communications equipment. The diver enters the water directly and descends to the work site, accomplishes the prescribed tasks and begins to decompress in the water during a gradual ascent to the surface. The length of time a diver is able to remain at the work site depends upon, and is limited by, the water depth.

TRADITIONAL SUBSEA SERVICES

Subsea services that CDI has performed in shallower waters of the Gulf for more than two decades include air and saturation diving in support of pipelay and related marine construction activities. In 1997, demand was unusually strong for 4-point and surface air diving work in the shallow water from the shore to 300 feet.

In February 1998, CDI purchased a significant minority stake in Aquatica, a new shallow water diving company formed by Sonny Freeman, the former Chief Operating Officer of American Oilfield Divers. The Company has committed to lend $5 million of additional funds to allow Aquatica to purchase vessels and fund other growth opportunities. Management believes the CDI investment in Aquatica should permit the Company to benefit from a market segment that is experiencing strong demand while allowing Cal Dive to continue to focus on its Deepwater strategy. Dependent upon various preconditions, the shareholders of Aquatica have the right to convert their shares into Cal Dive shares at a prescribed ratio which, among other things, must be accretive to Cal Dive's earnings per share.

CDI offers the largest fleet of DP vessels with SAT diving capabilities permanently deployed in the Gulf. Cal Dive's diversified fleet provides a full complement of traditional subsea construction, maintenance, and salvage project capabilities and includes one DP MSV, three DP DSVs, two 4-point moored saturation DSVs, three other DSVs, two work class ROVs and a salvage barge. The Company has also contracted to build a replacement for its smallest 4-point DSV, CAL DIVER IV. The services provided by these vessels both overlap and are complementary in a number of market segments, enabling the Company to deploy its vessels to areas of highest utility and margin potential.

DEEPWATER SERVICES

In 1994, CDI began to assemble a fleet of DP vessels which are required to deliver subsea services in the Deepwater. The Company's diversified fleet serving the Deepwater includes a semisubmersible MSV, three mono-hull DP vessels and one Deepwater service barge. This Deepwater fleet has recently been expanded following CDI's initial public offering in the second half of 1997 by the purchase of the SEA SORCERESS and MERLIN.

CDI formed its Deepwater Technical Services Group in early 1996 to serve the emerging Deepwater market. This group is the focal point for assembling and delivering the varied technological disciplines required for Deepwater drilling projects. The limited availability of Deepwater drilling rigs has increased demand for well completions, subsea installations and infield connection services. CDI's DP vessels are a key asset to the application of Deepwater technologies. Services provided by Cal Dive's Deepwater Technical Services Group include geotechnical investigation, turnkey field development, installation of umbilicals, controls and flexible pipe, well servicing, decommissioning, subsea wellhead installations and pipeline repair systems and riser installation. In 1997, the Company completed or was awarded 13 Deepwater projects requiring DP vessels which management believes represent most of those projects in the Gulf 1997. These projects allowed CDI to perform work numerous times at what management believes to be record depths. The Company's alliances detailed below are also managed through this group.

As part of its strategy in the Deepwater Gulf of Mexico, CDI entered into a number of strategic alliances, including establishment of Quantum with Coflexip in April 1997. Quantum, which is owned 51% by CDI and 49% by Coflexip, was formed to pursue full field development projects in the offshore oil and gas industry in the Gulf and the Caribbean exceeding $25 million in value and meeting certain other criteria. Coflexip has chartered the vessel CSO CONSTRUCTOR to Quantum. Cal Dive will consolidate the financial results of the joint venture into its financial statements.

CDI's other alliances, intended to enhance its ability to offer a complete range of subsea full field development services, are described in the following table:

ALLIANCE	DESCRIPTION	1997 CONTRIBUTIONS
Schlumberger, Ltd.	Alliance Agreement whereby CDI provides DP vessels and related operating services for well servicing and testing	Downhole equipment played a major role in the Tahoe 4 well intervention job
Fugro-McClelland Marine Geoscience, Inc.	Performance Contract whereby CDI provides vessels and related operating services for geoscience services and coring work	Coring work identified the underwater aquifers causing Deepwater sand flow
Quality Tubing, Inc.	Preferred Provider Agreement whereby CDI provides vessels and related operating services for the installation of coiled line pipe	Laid a significant amount of coiled line pipe, a new CDI product line
Shell Offshore, Inc.	Performance Contract whereby CDI provides vessels and related operating services for subsea well intervention and the development of J-lay procedures	Contracted to provide well intervention services over a two-year period
Sonat, Inc.	Preferred Provider Agreement whereby CDI provides marine contracting services in a life of field services setting	Provided diving services on several pipeline contracts
TOPS	Preferred Provider Agreement whereby CDI provides marine contracting services in a full field development setting to TOPS in the Deepwater Gulf of Mexico	Marine construction services contracts in process
Reading & Bates Development Co.	Alliance Agreement to cooperate on the design and testing of the feasibility of a new build MSV	MSV 3500 feasibility

DECOMMISSIONING AND NATURAL GAS AND OIL OPERATIONS

Since 1989, CDI has established a leading position in the decommissioning of facilities in the shallow water Gulf of Mexico. Over 75% of the 3,800 platforms in the Gulf of Mexico are over ten years old and there are approximately 15,000 wells that must ultimately be decommissioned in accordance with government regulations related to the decommissioning of offshore production facilities. Since 1989, Cal Dive has undertaken a wide variety of decommissioning assignments, most on a turnkey basis. When the structure to be removed exceeds the capacity of CDI's salvage equipment, the Company subcontracts the heavy lift to third party vendors.

CDI's wholly owned subsidiary ERT was formed in 1992 in response to a market opportunity to provide a more efficient solution to offshore decommissioning liability and CDI's desire to expand its off-season salvage and decommissioning activity. Within ERT, the Company has assembled experienced personnel with proven track records in geology, reservoir and production engineering as well as offshore facilities management. CDI generates numerous opportunities to acquire mature properties through its established contacts in the industry. The Company's property analysis utilizes both the expertise of its executives and CDI's years of experience in performing turnkey contracts for decommissioning work.

To maximize the economic value of its properties, CDI also uses its operating expertise to reduce operating costs, maximize production from the properties and minimize the costs of decommissioning. Based on the Miller & Lents report, the remaining average useful life of the current properties is approximately 7.4 years based on 1997 production. Unless exempt under MMS regulations, property owners are required to bond and/or fund the MMS' estimate of the decommissioning liability. As of December 31, 1997, the recorded decommissioning liability was approximately $6.5 million. Estimates of decommissioning costs and their timing may change due to many factors including inflation rates, market factors and changes in environmental laws and regulations.

The table below sets forth information, as of December 31, 1997, with respect to the Company's estimated net proved reserves and the present value of estimated future net cash flows at such date, as estimated by Miller & Lents. Also see "Risk Factors -- Uncertainty of Estimates of Natural Gas and Oil Reserves."

	TOTAL PROVED(1)
	(DOLLARS IN THOUSANDS)
Estimated Proved Reserves:	
Natural Gas (MMcf)..............	22,245
Oil and Condensate (MBbls)......	200
Standardized measure of discounted future net cash flows(2)...........	$ 19,760

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(1) East Cameron Blocks 231 and 353 purchased in January 1998 described below are not included in the above December 31, 1997 summary. In November 1997 ERT acquired interests in offshore properties ranging from 50%-55% in Vermilion Blocks 147 and 328 from Spirit Energy 76, a business unit of Unocal Corporation. These blocks are located southeast of Louisiana and have three producing wells with five wells shut-in. The facilities consist of one four-pile, one eight-pile and a monopod platform structure. In January 1998 ERT acquired interests in six blocks involving two separate fields from Sonat Exploration Company (SONAT). The East Cameron 231 field (blocks 231 and 223) currently produces about 8 MMCFD and 100 BOPD from eight wells. Structures located in the EC 231 area include 46 wells, four platforms, and three caissons. The East Cameron 353 field currently produces about 10 MMCFD from three wells.

(2) The standardized measure of discounted future net cash flows attributable to the Company's reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum.

As of December 31, 1997, the Company owned an interest in 49 gross (38.1 net) natural gas wells and one gross (0.5 net) oil well located in federal offshore waters in the Gulf of Mexico. With its 1998 aquisitions, ERT now owns interests in 18 offshore leases and has accumulated a significant backlog of decommissioning work in 14 ERT operated fields which include 23 platforms, nine caissons and 98 wells.

MARINE VESSELS AND EQUIPMENT

GENERAL

The Company owns or charters a fleet of eleven vessels and two ROVs. The size of the Company's fleet and its capabilities have increased in recent years with the addition of the WITCH QUEEN, BALMORAL SEA, UNCLE JOHN, SEA SORCERESS and MERLIN.

Management believes that the Gulf of Mexico market increasingly will require specially designed or equipped vessels to deliver the necessary subsea construction services, especially in the Deepwater. Five of CDI's vessels have the permanent capability to provide SAT diving services. Five of CDI's vessels have DP capabilities specifically designed to respond to the Deepwater market. CDI's vessels serve as work platforms for services provided by alliances with partners who are internationally recognized contractors and manufacturers.

NEW VESSELS AND ROVS

In May and June 1997, CDI took delivery of two, 2,000 meter (6,600 feet), 100 hp Triton XL ROVs, the newest generation of deepwater work class ROVs. The Triton XL units were manufactured by Perry Tritech, a wholly owned subsidiary of CDI's strategic partner, Coflexip. One of these ROVs, the Triton XL 15, has been installed permanently onboard CDI's MSV, UNCLE JOHN, making it the only semisubmersible in the Gulf of Mexico with this capability. Operating through a designated moonpool and equipment which deploys the ROV 50 feet below the water line, the Triton XL 15 is able to perform projects in severe offshore sea conditions without the usual loss of time associated with the deployment of ROVs. The second work class ROV, the Triton XL 16, is permanently installed as the DP vessel which utilizes a U-boom launch and recovery system, heavy duty winch and umbilical, control van and work van. CDI's goal is not to become a volume provider of ROVs but rather to utilize these units in support of Deepwater projects and CDI turnkey business.

In October 1997, CDI acquired a 374 foot Deepwater service barge, the SEA SORCERESS, with 6-point mooring and accommodations for 50 people. The vessel is ice strengthened, has a deck load capacity of 10,000 tons and is certified to handle 65,000 barrels of hydrocarbon storage. A large moonpool located near mid-ship is available to facilitate pipelay, coring, drilling and production riser operations. The vessel is scheduled to be on an approximately three month contract starting in the third quarter of 1998 to assist in the development of the "Terra Nova" project offshore of Newfoundland, Canada. This project involves the second largest Canadian offshore field with an estimated 300-400 million barrels of recoverable oil and the latest technology to protect wellheads and subsea templates from iceberg flow.

In December 1997, CDI acquired a DP ROV support vessel, the MERLIN. The vessel is 198 feet long, 40 feet wide and has accommodations for 42 people. The vessel can be fitted with a portable moonpool diving system and has one fully functioning ROV control station and maintenance store. The vessel also has Nautronics station keeping and tracking systems and has an "A Frame" 30 ton hydraulic lift and one deck mounted crane. CDI has permanently installed its Triton 16 ROV on the MERLIN and expects to use the vessel primarily for ROV support, coring and laying of small umbilicals.

CDI is currently in the process of designing the MSV 3500, a sixth generation, multi-service vessel which is a new generation of the column stabilized semisubmersible design of the UNCLE JOHN and is unique due to the absence of lower hull cross bracing which decreases vessel weight and increases operating efficiency. Variable deck load of 4,000 tons and a large deck area would make the vessel particularly well suited for large offshore construction projects in Deepwater. High transit speed would allow it to move rapidly from one location to another while operability (thruster power and motion characteristics) would provide for well intervention in an extremely cost efficient manner. Finally, management expects that there would be a derrick similar to that installed on the UNCLE JOHN for well completion and well servicing projects. There is no assurance, however, that the MSV 3500 will be constructed.

CAL DIVE INTERNATIONAL, INC.
LISTING OF VESSELS, BARGES AND ROVS
AS OF DECEMBER 31, 1997

	DATE PLACED IN SERVICE BY CDI	LENGTH (FEET)	CLEAR DECK SPACE (SQ. FEET)	DECK LOAD (TONS)	ACCOMMO-DATIONS	MOONPOOL LAUNCH/ SAT DIVING	CRANE	CLASSIFI-CATION
DP MSV:								
Uncle John	11/96	254	11,834	460	102	3	2 x 100-ton	DNV
DP DSVS:								
Balmoral Sea (1)	9/94	259	3,443	250	60	3	30-ton	DNV
Witch Queen	11/95	278	5,600	500	62	3	50-ton	DNV
Merlin	12/97	198	955	308	42		A-Frame	ABS
Constructor(2)	4/98	367	8,612	2,210	109	3	100-ton	DNV
DSVS:								
Cal Diver I	7/84	196	2,400	220	40	3	20-ton	ABS
Cal Diver II	6/85	166	2,816	300	32	3	A-Frame	ABS
Cal Diver III	8/87	115	1,320	105	18			ABS
Cal Diver IV	10/90	100	1,035	46	16			ABS
Cal Diver V	9/91	168	2,324	490	30		A-Frame	ABS
OTHER:								
Sea Sorceress	8/97	374	8,600	10,000	50		--	DNV
Cal Dive Barge I	8/90	150	NA	200	26		200-ton	ABS
ROVs x 2	4/97	25	--	--	--		--	--

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(1) This vessel was operated by the Company under charters from September 1994 to February 1995 and from April 1996 to August 8, 1996, at which time it was acquired by the Company.

(2) This vessel is chartered to Quantum and, subject to its needs, it is expected that the vessel will also be available to CDI for its project needs.

Under government regulations and CDI's insurance policies, the Company is required to maintain its vessels in accordance with standards of seaworthiness and safety set by government regulations and classification organizations. CDI maintains its fleet to the standards for seaworthiness, safety and health set by both the American Bureau of Shipping ("ABS"), Det Norske Veritas ("DNV") and the United States Coast Guard ("USCG"). The ABS is one of several classification societies used by ship owners to certify that their vessels meet certain structural, mechanical and safety equipment standards, including Lloyd's Register, Bureau Veritas and DNV among others.

CDI incurs routine drydock inspection, maintenance and repair costs under USCG Regulations and to maintain ABS or DNV classification for its vessels. In addition to complying with these requirements, the Company has its own vessel maintenance program which management believes permits Cal Dive to continue to provide its customers with well maintained, reliable vessels.

In the normal course of its operations, the Company also charters other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels. All of the Company's vessels are subject to ship mortgages. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

COFLEXIP STRATEGIC ALLIANCE

BACKGROUND

As part of CDI's strategy in the Deepwater Gulf of Mexico and to respond to the growing trend towards integrated contracting of packages for full field development services, CDI entered into a strategic alliance with Coflexip in April 1997. Coflexip is the worldwide leader in the design and manufacture of flexible pipe and umbilicals and is a leading integrated subsea contractor to the offshore oil and gas industry. Deepwater full field developments have shifted toward greater use of subsea and floating production systems and away from conventional fixed production platform development systems. These developments have increased the demand for services and products offered by CDI and Coflexip.

The alliance was formed by Coflexip acquiring 3,699,788 shares of the Common Stock of the Company, pursuant to a purchase agreement dated as of April 11, 1997 (the "Purchase Agreement") and entering into the Business Cooperation Agreement. In addition, CDI is a party to a shareholders agreement that provides Coflexip with a right of first refusal in connection with certain acquisition proposals for CDI. See "Certain Relationships and Related Transactions." In connection with the closing under the Purchase Agreement, Coflexip and the Company entered into certain related agreements, including two-year employment agreements with the Company's nine senior executives, a registration rights agreement, shareholders agreement and amended the Company's Articles of Incorporation and Bylaws. See "Management" and "Description of Capital Stock."

THE BUSINESS COOPERATION AGREEMENT

As part of the transaction, the companies entered into the Business Cooperation Agreement and formed Quantum in April 1997 which is owned 51% by Cal Dive and 49% by Coflexip. CDI will consolidate financial results from the joint venture into its financial statements. CDI and Coflexip are now bidding on projects as a subcontractor to Quantum for their respective services. Cal Dive's assets and services include ROV operation, diving, coiled tubing, flexible lay operations with deck load requirements up to 600 metric tons, riser installation, well servicing, DP DSV's and related services and 4-point DSV's. Coflexip's assets and services include flexible lay operations in excess of alliance vessel capabilities (including risers), product sales, manufacture and supply of umbilicals/flex hose/flex pipe, ROV manufacture and sale, full field project design and engineering and project management, reeled hard pipelay (including risers), pipelay operations (excluding coiled tubing), and construction vessels in excess of Company and alliance capabilities. Quantum is pursuing Gulf of Mexico and Caribbean projects that require at least one Cal Dive service and one Coflexip service, where the aggregate contract value of the combined services is at least $25 million, and any such other projects as the parties may agree.

COMPLEMENTARY PRODUCTS AND SERVICES

Management believes that Coflexip and CDI offer highly complementary products and services and that the strategic alliance with Coflexip significantly expands CDI's ability to provide full field development and life of field services. The table below illustrates some of the individual strengths, products and services offered by Coflexip and CDI that combined permit them to offer a new approach for Deepwater Gulf subsea contracting activities:

CAL DIVE

- Significant Gulf market presence
- Deepwater position in the Gulf
- DP vessels
- Spot market turnkey expertise
- Flexible pipe installation
- ROV operation and marketing
- Engineering utilization and marketing
- Well servicing capability: alliance with Schlumberger in the Gulf

COFLEXIP

- Worldwide presence
- Deepwater expertise and credibility
- Large DP construction vessels
- Large project EPIC contractor
- Umbilical and flexible pipe manufacturer/installer
- ROV manufacturer
- Significant subsea engineering group
- Well servicing capability: alliance with Schlumberger in the North Sea

INFORMATION ON COFLEXIP

Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals, and one of the leading subsea contractors to the offshore oil and gas industry, providing integrated subsea services on large subsea projects throughout the world. Coflexip was established in 1971 to manufacture and market flexible pipe designed by the Institute Francais du Petrole, a French research and development organization that holds a controlling interest in one of Coflexip's principal shareholders. In December 1994, Coflexip acquired Stena Offshore N.V., a contractor providing subsea services to the oil and gas industry, from Stena International B.V. ("Stena International"), and Stena International became a significant shareholder of Coflexip.

Coflexip targets the subsea production systems segment of the subsea oilfield services industry involving the installation of a wellhead on the seabed rather than on a platform. Subsea productions systems generally require flowlines that are less than 12 inches in internal diameter and less than 20 kilometers in length. This segment corresponds with the Company's technological capabilities and represents its key market.

Coflexip designs and manufactures offshore flexible pipe, a number of products that apply similar technology, including umbilicals and ROVs. Coflexip also performs project management and engineering services in connection with large subsea contracts, installs rigid and flexible pipes, umbilicals and floating production storage and offloading facilities, performs inspection, repair and maintenance and provides a number of related services such as lifting, diving and testing. Its fleet of vessels and equipment is one of the largest and most advanced technologically in the industry.

Coflexip has manufacturing and assembly facilities in five countries and markets its integrated services worldwide. Its principal markets are the North Sea (UK and Norwegian sectors), offshore Brazil, the Asia-Pacific region and other markets including North America and North and West Africa. Coflexip employs approximately 3,500 employees in five continents and has subsidiaries in France, the United Kingdom, Brazil, Norway, the United States, Australia and India.

CUSTOMERS

CDI's customers are primarily major and independent oil and gas exploration, transportation and marine construction companies operating in the Gulf of Mexico. The level of construction services required by any particular customer depends on the size of that customer's capital expenditure budget devoted to construction plans in a particular year. Consequently, customers that account for a significant portion of contract revenues in one fiscal year may represent an immaterial portion of contract revenues in subsequent fiscal years. The Company estimates that in 1997 it provided subsea services to approximately 100 customers. For the years ended December 31, 1997 and 1996, approximately 19% and 24%, respectively, of the Company's total revenues were attributable to J. Ray McDermott, S.A. In addition, Shell Offshore, Inc. represented 11% of consolidated revenues in 1997. The Company's projects are typically of short duration and are generally awarded shortly before remobilization. Accordingly, backlog is not a meaningful indicator of future activities.

MARKETING

Contracts for work in the Gulf of Mexico are typically awarded on a competitive bid basis with customers usually requesting bids on projects several months prior to commencement. CDI maintains a focused marketing effort through a 12-person direct sales force operating from Houston, Texas together with sales offices in Lafayette and New Orleans, Louisiana. Most contracts are awarded on a turnkey basis, but CDI also performs work on a cost-plus or day rate basis, or on a combination of such bases. Under a qualified turnkey project, Cal Dive agrees to provide a portion of services for a fixed price (regardless of the time and materials actually required) and other services on a day rate basis. For projects involving day rates, CDI charges are based upon a rate schedule for the services provided.

CDI sells substantially all of its natural gas and oil under short-term contracts (maximum of one year in duration) at pricing based on spot market indexes. CDI has not engaged in hedging transactions.

COMPETITION

The subsea services industry is highly competitive. Competition for subsea construction work in the Gulf of Mexico has historically been based on the location and type of equipment available, ability to deploy such equipment, the safety and quality of service in recent years and price. While price has been an important factor in obtaining contracts, the ability to acquire specialized vessels, to attract and retain skilled personnel, and to demonstrate a good safety record have also been important competitive factors. CDI's competitors on the OCS include Ceanic Corporation, (formerly American Oilfield Divers, Inc.) Torch, Inc., Horizon Offshore, Inc., Global Industries Ltd., Oceaneering International, Inc. as well as a number of smaller companies, some of which only operate a single vessel, that often compete solely on price. For Deepwater projects, Cal Dive's principal U.S. based competitors include Oceaneering International, Inc., Global Industries, Ltd. and J. Ray McDermott, S.A. Other large foreign based subsea contractors, including Stolt Comex Seaway, A/S, DSND, Ltd., Saipem and

Rockwater, Ltd., have announced their intention to perform services in the Gulf. CDI also encounters significant competition for the acquisition of producing natural gas and oil properties. The Company's ability to acquire additional properties will depend upon its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Many of the Company's competitors are well-established companies with substantially larger operating staffs and greater capital resources than CDI which, in many instances, have been engaged in the energy business for a much longer time than CDI.

TRAINING, SAFETY AND QUALITY ASSURANCE

CDI maintains a stringent safety and quality assurance program. In 1994, the Company devised and instituted a comprehensive revision to its safety program which emphasizes team building by assembling a core group of personnel specifically for each vessel to promote offshore efficiency and safety. Assembling core groups of personnel specifically assigned to each vessel has also reduced recorded incidents. As a result, management believes that CDI's safety programs are among the best in the industry.

FACILITIES

CDI is headquartered at 400 N. Sam Houston Parkway E., in Houston, Texas. The Company's subsea and marine services operations are based in Morgan City, Louisiana. All of CDI's facilities are leased.

PROPERTY AND FACILITIES SUMMARY

LOCATION	FUNCTION	SIZE
Houston, Texas......................	Corporate and ERT Headquarters	30,000 square feet
	Project Engineering	
	Account Management	
	Sales Office	
Morgan City, Louisiana..............	Operations/Docking	28.5 acres
	Warehouse	30,000 square feet
	Offices	4,500 square feet

The Company also has sales offices in Lafayette and New Orleans, Louisiana.

GOVERNMENT REGULATION

Many aspects of the offshore marine construction industry are subject to extensive governmental regulation. The Company is subject to the jurisdiction of the USCG, the Environmental Protection Agency, MMS and the U.S. Customs Service as well as private industry organizations such as the ABS.

CDI supports and voluntarily complies with the Association of American Diving Contractor Standards. The USCG sets safety standards and is authorized to investigate vessel and diving accidents and recommend improved safety standards, and the U.S. Customs Service is authorized to inspect vessels at will. CDI is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The Company believes that it has obtained or can obtain all permits, licenses and certificates necessary for the conduct of its business.

In addition, CDI depends on the demand for its services from the oil and gas industry and, therefore, the Company's business is affected by laws and regulations, as well as changing taxes and policies relating to the oil and gas industry generally. In particular, the development and operation of natural gas and oil properties located on the OCS of the United States is regulated primarily by the MMS.

The MMS requires lessees of OCS properties to post bonds in connection with the plugging and abandonment of wells located offshore and the removal of all production facilities. Operators in the OCS waters of the Gulf of Mexico are currently required to post an area wide bond of $3 million or $500,000 per producing lease. The Company currently has bonded its offshore leases as required by the MMS. Under certain circumstances, the MMS has the authority to suspend or terminate operations on federal leases. Any such suspensions or terminations of the Company's operations could have a material adverse effect on the Company's financial condition and results of operations.

The Company acquires production rights to offshore mature oil and gas properties under federal oil and gas leases, which the MMS administers. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and orders pursuant to the Outer Continental Shelf Lands Act ("OCSLA") (which are subject to change by the MMS). The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications. These latter regulations were withdrawn pending further discussions among interested federal agencies. The MMS also has issued regulations restricting the flaring or venting of natural gas and prohibiting the burning of liquid hydrocarbons without prior authorization. Similarly, the MMS has promulgated other regulations governing the plugging and abandonment of wells located offshore and the removal of all production facilities. Finally, under certain circumstances, the MMS may require any operations on federal leases to be suspended or terminated, and the MMS has recently proposed, but not yet enacted, regulations that would allow it to expel unsafe operators from existing OCS platforms and bar them from obtaining future leases. Any such suspension or termination or ban could materially and adversely affect the Company's financial condition and operations.

The MMS has also issued a notice of proposed rulemaking in which it proposes to amend its regulations governing the calculation of royalties and the valuation of crude oil produced from federal leases. The proposed rule would modify the valuation procedures for both arm's length and non-arm's length crude oil transactions to decrease reliance on oil posted prices and assign a value to crude oil that better reflects market value, establish a new MMS form for collecting value differential data, and amend the valuation procedure for the sale of federal royalty oil. The Company cannot predict at this stage of the rulemaking proceeding how it might be affected by this amendment to the MMS' regulations. In addition, the MMS recently issued a final rule amending its regulations regarding costs for gas transportation which are deductible for royalty valuation purposes when gas is sold offlease. Among other matters, for purposes of computing royalty owed, the rule disallows as deductions certain costs, such as aggregator/marketer fees and transportation imbalance charges and associated penalties.

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated pursuant to the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 (the "NGPA"), and the regulations promulgated thereunder by the Federal Energy Regulatory Commission (the "FERC"). In the past, the federal government has regulated the prices at which gas and oil could be sold. While sales by producers of natural gas, and all sales of crude oil, condensate, and natural gas liquids can currently be made at uncontrolled market prices, Congress could reenact price controls in the future. Deregulation of wellhead sales in the natural gas industry began with the enactment of the NGPA. In 1989, the Natural Gas Wellhead Decontrol Act was enacted. This act amended the NGPA to remove both price and non-price controls from natural gas sold in "first sales" no later than January 1, 1993.

Sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation remain subject to extensive federal and state regulation. Several major regulatory changes have been implemented by Congress and the FERC from 1985 to the present that affect the economics of natural gas production, transportation and sales. In addition, the FERC continues to promulgate revisions to various aspects of the rules and regulations affecting those segments of the natural gas industry, most notably interstate natural gas transmission companies that remain subject to the FERC's jurisdiction. These initiatives may also affect the intrastate transportation of gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry. The ultimate impact of the complex rules and regulations issued by the FERC since 1985 cannot be predicted. In addition, many aspects of these regulatory developments have not become final but are still pending judicial and FERC final decisions.

The Company cannot predict what further action the FERC will take on these matters, however, the Company does not believe that it will be affected by any action taken materially differently than other companies with which it competes.

Additional proposals and proceedings before various federal and state regulatory agencies and the courts could affect the oil and gas industry. The Company cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the regulatory approach currently pursued by the FERC will continue indefinitely. Notwithstanding the foregoing, the Company does not anticipate that compliance with existing federal, state and local laws, rules, and regulations will have a material effect upon the capital expenditures, earnings, or competitive position of the Company.

ENVIRONMENTAL REGULATIONS

The Company's operations are subject to a variety of federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations to implement and enforce such laws that are often complex and costly to comply with, and that carry substantial penalties for failure to comply. Aside from possible liability for damages and costs associated with releases of hazardous materials including oil into the environment, such laws and regulations may impose liability the Company to liability for the conduct of or conditions caused by others, or by acts of the Company that were in compliance with all applicable laws at the time such acts were performed.

The Oil Pollution Act of 1990, as amended ("OPA"), imposes a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. A "responsible party" includes the owner or operator of an onshore facility, vessel or pipeline, or the lessee or permittee of the area in which an offshore facility is located. OPA imposes liability on each responsible party for oil spill removal costs and for other public and private damages from oil spills. Failure to comply with OPA may result in the assessment of civil and criminal penalties. OPA establishes liability limits of up to $350 million for onshore facilities, all removal costs plus up to $75 million for offshore facilities, and the greater of $500,000 or $600 per gross ton for vessels other than tank vessels. The liability limits are not applicable, however, if the spill is caused by gross negligence or willful misconduct, if the spill resulted from violation of a federal safety, construction, or operating regulation, or if a party fails to report a spill or to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA. Management of the Company is currently unaware of any oil spills for which the Company has been designated as a responsible party under OPA that will have a material adverse impact on the Company or its operations.

OPA also imposes ongoing requirements on a responsible party including preparation of an oil spill contingency plan and proof of financial responsibility to cover a majority of the costs in a potential spill. The Company believes it has appropriate spill contingency plans in place. Vessels subject to OPA other than tank vessels are subject to financial responsibility limits of the greater of $500,000 or $600 per gross ton, while offshore facilities are subject to financial responsibility limits of not less than $35 million, with that limit potentially increasing up to $150 million if a formal risk assessment indicates that a greater amount is required. In March 1997, the MMS proposed regulations implementing these financial responsibility requirements. The company believes that it currently has established adequate proof of financial responsibility for its vessels and onshore and offshore facilities, and fully anticipates that in the future it will be able to satisfy the MMS requirements for financial responsibility under OPA and the proposed regulations.

OPA also requires owners and operators of vessels over 300 gross tons to provide the USCG with evidence of financial responsibility to cover the cost of cleaning up oil spills from such vessels. The Company currently owns and operates five vessels over 300 gross tons. Satisfactory evidence of financial responsibility has been provided to the USCG for all of the Company's vessels.

The Clean Water Act imposes strict controls on the discharge of pollutants into the navigable waters of the U.S., and imposes potential liability for the costs of remediating releases of petroleum and other substances. The Clean Water Act provides for civil, criminal and administrative penalties for any unauthorized discharge of oil and other hazardous substances and imposes substantial potential liability for the costs of removal, remediation and damages. Many states have laws which are analogous to the Clean Water Act and also require remediation of accidental releases of petroleum in reportable quantities in state waters. The Company's vessels routinely transport diesel fuel to offshore rigs and platforms, and also carry diesel fuel for their own use. The Company's supply boats transport bulk chemical materials used in drilling activities, and also transport liquid mud which contains oil and oil by-products. In addition, offshore facilities and vessels operated by the Company have facility and vessel response plans to deal with potential spills of oil or its derivatives.

OCSLA provides the federal government with broad discretion in regulating the release of offshore resources of natural gas and oil production as well as regulating safety and environmental protection applicable to lessees and permittees operating in the OCS. Specific design and operational standards may apply to OCS vessels, rigs, platforms, vehicles and structures. Violations of lease conditions or regulations issued pursuant to OCSLA can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and cancellation of leases. Because the Company's operations rely on offshore oil and gas exploration and production, if the government were to exercise its authority under OCSLA to restrict the availability of offshore oil and gas leases, such action could have a material adverse effect on the Company's financial condition and the results of operations. As of this date, the Company believes it is not the subject of any civil or criminal enforcement actions under OCSLA.

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") contains provisions dealing with remediation of releases of hazardous substances into the environment and imposes liability without regard to fault or the original conduct, on certain classes of persons including owners and operators of contaminated sites where the release occurred and those companies who transport, dispose of or who arrange for disposal of hazardous substances released at the sites. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies, and it is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Although the Company handles hazardous substances in the ordinary course of business, the Company is not aware of any hazardous substance contamination for which it may be liable.

Management believes the Company is in compliance in all material respects with all applicable environmental laws and regulations to which it is subject. The Company does not anticipate that compliance with existing environmental laws and regulations will have a material effect upon the capital expenditures, earnings or competitive position of the Company. However, changes in the environmental laws and regulations, or claims from damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities to the Company and thus there can be no assurance that the Company will not incur significant environmental compliance costs in the future.

INSURANCE AND LITIGATION

CDI's operations are subject to the inherent risks of offshore marine activity including accidents resulting in personal injury and the loss of life or property, environmental mishaps, mechanical failures and collisions. CDI insures against these risks at levels consistent with industry standards. The Company also carries workers' compensation, maritime employer's liability, general liability and other insurance customary in its business. All insurance is carried at levels of coverage and deductibles that management considers financially prudent. The Company's services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could result, and litigation arising from such an event may result in CDI being named a defendant in lawsuits asserting large claims. To date, CDI has been involved in no such catastrophic lawsuit. Although there can be no assurance that the amount of insurance carried by Cal Dive is sufficient to protect it fully in all events, management believes that its insurance protection is adequate for CDI's business operations. A successful liability claim for which the Company is underinsured or uninsured could have a material adverse effect on CDI.

The Company is involved in various legal proceedings primarily involving claims for personal injury under the General Maritime Laws of the United States and the Jones Act as a result of alleged negligence. The Company believes that the outcome of all such proceedings, even if determined adversely, would not have a material adverse effect on its business or financial condition.

EMPLOYEES

CDI relies on the quality and skill of its workforce and has successfully hired, trained, and retained highly skilled managers and divers. As of December 31, 1997, the Company had 432 employees, 120 of which were salaried. The Company also utilized approximately 200 non-US citizens to crew its foreign flag vessels under a crewing contract with C-MAR Services (UK), Ltd. of Aberdeen, Scotland. None of the Company's employees belong to a union or are employed pursuant to any collective bargaining agreement or any similar arrangement. Management believes that the Company's relationship with its employees and foreign crew members is good.

Of the Company's employees, 150 persons own shares of the Company's Common Stock and 40 other employees hold options to acquire Common Stock under the Company's 1995 Long Term Incentive Plan, as amended.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth certain information as of the date of this Prospectus with respect to the executive officers, directors and certain other senior officers of the Company:

NAME	AGE	POSITION WITH THE COMPANY
Gerald G. Reuhl	47	Chairman and Director (retiring)
Owen Kratz	45	President, Chief Executive Officer and Director
S. James Nelson, Jr	56	Executive Vice President, Chief Financial Officer and Director
Martin R. Ferron	41	Executive Vice President and Chief Operating Officer
Andrew C. Becher	52	Senior Vice President and General Counsel
Louis L. Tapscott	60	Senior Vice President -- Business Development
Jon M. Buck	40	Vice President -- Sales
Randall W. Drewry	52	Vice President -- Bids and Proposals
Kenneth Duell	47	Vice President -- Special Projects and Deepwater
Michael P. Middleton	41	Vice President -- Operations
A. Wade Pursell	33	Vice President -- Finance
Terrell W. (Jack) Reedy	56	Vice President -- Safety
Lyle K. Kuntz	46	President, ERT
Gordon F. Ahalt	70	Director
Thomas M. Ehret	46	Director
Jean-Bernard Fay	52	Director
Gerald M. Hage	49	Director
Kenneth Hulls	54	Director
David H. Kennedy	48	Director
William E. Macaulay	52	Director

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GERALD G. REUHL has served as the Company's Chairman of the Board since 1990. Mr. Reuhl is planning to retire and become a consultant to CDI in the second quarter of 1998.

OWEN KRATZ has served as the Company's Chief Executive Officer since April 1997, President since 1993 and Chief Operating Officer and director since 1990. He joined the Company in 1984 and has held various offshore positions, including SAT diving supervisor, and management responsibility for client relations, marketing and estimating. From 1982 to 1983, Mr. Kratz was the owner of an independent marine construction company operating in the Bay of Campeche. Prior to 1982, he was a supervisor for various international diving companies and a SAT diver in the North Sea.

S. JAMES NELSON, JR., has served as Executive Vice President, Chief Financial Officer and a director of the Company since 1990. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., the former parent of Cal Dive, at which time he had corporate responsibility for the Company. From 1980 to 1985, Mr. Nelson served as Chief Financial Officer of Apache Corporation, an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen & Co., and from 1976 to 1980, he was a partner serving on the firm's worldwide oil and gas industry team. Mr. Nelson received his undergraduate degree from Holy Cross College (B.S.) in 1964 and a masters in business administration (M.B.A.) from Harvard University in 1966.

MARTIN R. FERRON became Executive Vice President and Chief Operating Officer in January 1998. Mr. Ferron has over sixteen years of experience in the oilfield industry, the last seven of which were in senior management positions with international operations of McDermott Marine Construction and Oceaneering International Services Limited. Mr. Ferron has a Civil Engineering degree from the City University in London, a

Masters Degree in Marine Technology from Strathclyde University in Glasgow, and an MBA from Aberdeen University, Scotland and is a Chartered Civil Engineer.

ANDREW C. BECHER has served as Senior Vice President and General Counsel of the Company since January 1996. Mr. Becher served as outside general counsel for the Company from 1990 to 1996, while a partner with Robins, Kaplan, Miller & Ciresi. From 1987 to 1990, Mr. Becher served as Senior Vice President of Dain Bosworth, Inc., a Minneapolis-based investment banking firm. From 1976 to 1987, he was a partner specializing in mergers and acquisitions with the law firm of Briggs and Morgan. Mr. Becher received his undergraduate degree from Purdue University (B.S.) in 1968 and his law degree from the University of Illinois in 1971.

LOUIS L. TAPSCOTT joined the Company as Senior Vice President of Business Development in August 1996. From 1992 to 1996, he was a Senior Vice President for Sonsub International, Inc., a company which operates a deepwater fleet of ROVs. From 1984 to 1988, he was a director and Chief Operating Officer of Oceaneering International, Inc. Mr. Tapscott has over thirty years of executive management and operational experience working with subsea contractors and subsea technology organizations in the United States and internationally.

JON M. BUCK has served as the Company's Vice President of Sales since August 1996 and as Sales Coordinator since 1994. From 1987 to 1994, Mr. Buck served as one of the Company's Account Managers. Prior to 1987, he held various positions in the hyperbaric welding and sales groups of SubSea International, Inc.

RANDALL W. DREWRY has served as the Company's Vice President of Bids and Proposals since 1992. He has held a number of management positions since joining the Company in 1980 and was responsible for custom designing the CAL DIVER I in 1984. Mr. Drewry has 24 years of experience in the industry as a diver, project manager, marine manager and sales coordinator and is a specialist in pipeline construction and saturation project specifications.

KENNETH DUELL joined Cal Dive in November of 1994 and was appointed Vice President -- Special Projects in November 1996. From 1989 to 1994, he was employed by ABB Soimi, Milan, Italy, in connection with a modular refining systems development in Central Asia. From 1974 to 1988, he held various positions with Santa Fe International, including the ROV and diving division. Mr. Duell has over 22 years of worldwide experience in all aspects of the onshore and offshore construction and diving industry.

MICHAEL P. MIDDLETON has served as the Company's Vice President of Operations since 1991. Since joining the Company in 1981, Mr. Middleton has held a number of offshore and management positions, including dive tender, diver, diving superintendent, diving personnel manager, marine operations manager and general manager.

A. WADE PURSELL joined the Company in May 1997 as Vice President -- Finance and Chief Accounting Officer. From 1988 through 1997 he was with Arthur Andersen LLP, most recently as an Experienced Manager specializing in the offshore services industry. Mr. Pursell is a Certified Public Accountant.

TERRELL W. (JACK) REEDY has been the Company's Vice President of Safety since 1991, becoming Vice President of Safety and Training in 1994. Prior to joining the Company in 1990, Mr. Reedy worked for McDermott International, Inc. as a diving supervisor and in offshore operations and the safety area. Prior thereto, he served in the United States Navy as a SAT diver, a diving medical technician and a member of the Experimental Diving Unit.

LYLE K. KUNTZ has served as President of the Company's subsidiary, Energy Resource Technology, Inc., since its inception in 1992. Prior to forming ERT, Mr. Kuntz spent 17 years with ARCO Oil and Gas Co. in a broad range of senior engineering and management positions.

GORDON F. AHALT has served on the Company's Board of Directors since July 1990 and has extensive experience in the oil and gas industry. Since 1982, Mr. Ahalt has been the President of GFA, Inc., a petroleum industry management and financial consulting firm. From 1979 to 1982, he served as Senior Vice President and Chief Financial Officer of Ashland Oil Company. Prior thereto, Mr. Ahalt spent a number of years in executive positions with Chase Manhattan Bank.

THOMAS M. EHRET has served on the Company's Board of Directors since April 1997. Mr. Ehret has been Senior Executive Vice President of Coflexip Stena Offshore since 1995 and has served as Chief Operating Officer for the Group since February 1995. From 1989 through 1994, Mr. Ehret served as President and Chief Executive Officer of the Stena Offshore Group based in Aberdeen, Scotland.

JEAN-BERNARD FAY has served on the Company's Board of Directors since April 1997. Mr. Fay has been Senior Executive Vice President Finance and Administration and Chief Financial Officer of Coflexip since 1990. From 1986 to 1990, he was a Managing Director with SCOR (UK), a French reinsurance group.

GERALD M. HAGE has served on the Company's Board of Directors since January 1995. Since 1995, Mr. Hage has served as President and Chief Executive Officer of Phoenix Energy Services, and from 1993 to 1994, he was President and Chief Executive Officer of Total Energy Services, Inc., which was later merged into Enterra Corporation. From 1991 to 1993, Mr. Hage served as President and Chief Executive Officer of First Reserve Energy Services Co. From 1981 to 1991, he held a number of senior management positions with Baker Hughes, Incorporated, including President and Chief Executive Officer of Baker Oil Tools and President, Chief Executive Officer, Vice President of Manufacturing and Vice President of Operations for Baker Tubular Services. Mr. Hage has decided not to stand for reelection to the Company's Board at CDI's annual meeting on May 12, 1998 due to his other business responsibilities.

KENNETH HULLS has served on the Company's Board of Directors since May 1997. Mr. Hulls has served as President and Chief Executive Officer of Coflexip Stena Offshore, Inc., the North American subsidiary of Coflexip since May 1997, and has held various positions in the Coflexip Stena Offshore Group from 1991 to May 1997. From 1977 to 1991, Mr. Hulls held various international positions in the offshore construction industry.

DAVID H. KENNEDY has served on the Company's Board of Directors since January 1995 and has more than 20 years of experience in the energy industry. In 1981, Mr. Kennedy joined First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors and since 1981, has served as one of its Managing Directors. From 1976 to 1981, he was with Price Waterhouse & Co. where his responsibilities included tax and audit services for major energy companies. Mr. Kennedy is a director of Maverick Tube Corporation, a manufacturer of steel pipe and casing, and of Berkley Petroleum Corporation, Best Pacific Resources and Pursuit Resources Corporation, three Canadian exploration and production companies.

WILLIAM E. MACAULAY has served on the Company's Board of Directors since January 1995. Since 1983, Mr. Macaulay has served as President and since 1990 also as the Chief Executive Officer of First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors. Mr. Macaulay serves as a director of Weatherford Enterra, Inc., an oilfield service company, Maverick Tube Corporation, a manufacturer of steel pipe and casing, TransMontaigne Oil Company, a downstream oil and gas transportation, marketing and distribution company, and production company, National-Oilwell Inc., a manufacturer and distributor of oil field equipment, and Domain Energy Corporation, an independent oil and gas company.

The Company's Bylaws provide for the Board of Directors to be divided into three classes of directors with each class to be as nearly equal in number of directors as possible, serving staggered three-year terms. The terms of the Class I directors, Owen Kratz, Thomas M. Ehret, and Gerald M. Hage, expire in 1998. Mr. Hage has notified CDI that he will not stand for re-election in 1998 due to his other business responsibilities. The terms of the Class II directors, William E. Macaulay, Gerald G. Reuhl, Gordon F. Ahalt and Jean-Bernard Fay will expire in 1999. The terms of the Class III directors, David H. Kennedy, S. James Nelson, Jr. and Kenneth Hulls will expire in 2000. Each director serves until the end of his term or until his successor is elected and qualified. Based upon the sale of shares by the First Reserve Funds and Gerald G. Reuhl, as herein described, Mr. Reuhl and one First Reserve Fund designated director must resign and the total number of directors shall decrease to nine as required by the Shareholders Agreement. See "Description of Capital Stock -- Certain Anti-Takeover Provisions."

COMMITTEES

As authorized by CDI's Bylaws (and as provided in the Shareholders Agreement among the Company, certain of its executives, Coflexip and the First Reserve Funds dated April 11, 1997, as amended (the "Shareholders Agreement"), the Board has established the following four committees: (i) a five-member Executive Committee comprised of one First Reserve Funds director, one Coflexip director, one independent director and two directors appointed by management which, when the Board is not in session, shall exercise such power and authority of the Board in the management of the business of the Company pursuant to the unanimous vote of such Committee as the Board may from time to time authorize, (ii) a four-member Audit Committee including two independent directors, which shall consult with the independent public auditors of the Company in connection with such auditors' audit and review of the financial statements of CDI and shall consult with CDI's Chief Financial Officer and staff in connection with the preparation of the Company's financial statements, subject to such limitations as the Board may from time to time impose; (iii) a five-member Compensation Committee comprised of one First Reserve Funds director, one Coflexip director, one director appointed by management and two independent directors, which shall administer awards under any Stock Option Plan and shall evaluate and make recommendations with respect to the compensation arrangements of executive officers of the Company, subject to such limitations as the Board may from time to time impose; and (iv) a three-member Nominating Committee comprised of one First Reserve Funds director, one Coflexip director and one director appointed by management, which shall be responsible for searching for and selecting nominees to serve as independent directors from a list of acceptable potential nominees prepared by the First Reserve Funds director and Coflexip director with the advice of the director appointed by management, from which list the director appointed by management shall select a nominee.

COMPENSATION OF DIRECTORS

The Company pays the reasonable out-of-pocket expenses incurred by each Director in connection with attending the meetings of the Board, any Subsidiary Board and any committee thereof. In addition, the Company pays its Directors who are not employed by CDI ("Non-Affiliate Directors") a fee of $20,000 per year and $1,000 for attending each of four regularly scheduled quarterly meetings. Furthermore, the Non-Affiliate Directors receive a fee of $500 for each committee meeting they attend.

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the cash compensation paid or accrued for services rendered in all capacities to the Company in 1997, to the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company (the "Named Executives").

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION			LONG TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION(1)
Owen Kratz President and Chief and Executive Officer (2)	1997	$169,728	$169,728	250,000	$ 4,000
Gerald G. Reuhl Chairman (2)	1997	$151,840	$151,840	--	$ 4,000
S. James Nelson, Jr Executive Vice President and Chief Financial Officer	1997	$133,432	$133,432	--	$ 4,000
Lyle Kuntz (3) President, ERT	1997	$106,329	$640,085	--	$ 4,000
Louis L. Tapscott Senior Vice President -- Business Development	1997	$140,000	$ 70,000	70,000	$ 3,570

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(1) Represents the Company's matching contribution to the Company's 401(k) Plan.

(2) Owen Kratz succeeded Mr. Reuhl as Chief Executive Officer in April 1997. In connection with closing the Coflexip transaction, Mr. Kratz exchanged certain rights for a five year option for 250,000 shares with an exercise price of $9.50 per share.

(3) Mr. Kuntz's bonus compensation varies depending on the net income before taxes of ERT.

Except as indicated above, no stock options were granted to the Named Executives during 1997 and none of these individuals exercised a stock option during 1997.

Each of CDI's three principal executive officers, Gerald G. Reuhl, Owen Kratz and S. James Nelson, Jr., has entered into a two-year employment agreement with the Company each of which expire on April 30, 1999. These agreements provide, among other things, that until the later of April 30, 2002 or the first or second anniversary of the date of termination of the executive's employment with CDI (depending on the event of termination), the executive shall not, directly or indirectly either for himself or any other individual or entity, participate in any business which engages or which proposes to engage in the business of providing diving services in the Gulf of Mexico or any other business actively engaged in by CDI on the date of termination of employment, so long as the Company continues to make payments to such executive, including his base salary and insurance benefits received by senior executives of CDI. In connection with the Coflexip transaction, CDI also entered into employment agreements with six of the Company's other senior officers substantially similar to the above agreements.

COMPENSATION PURSUANT TO PLANS

BONUS PLANS

CDI has established bonus compensation plans for several classes of its employees. Payments under each plan are based on the Company's performance. A separate plan is applicable to the three principal employees of ERT and provides for a bonus of between 1% to 10% of net income before taxes of ERT up to a maximum total of 15% of such net income.

PROFIT SHARING AND RETIREMENT PLAN

CDI's Retirement Plan (the "Retirement Plan") is a 401(k) savings plan. The Retirement Plan permits each employee to become a participant in the savings plan feature on January 1, April 1, July 1, or October 1 following the employee's completion of 90 consecutive days of employment.

Under the Retirement Plan, each active participant may elect, subject to certain limitations required by law, to defer payment of from 1% to 15% of his or her compensation. Upon such an election, CDI contributes such deferred amounts to the Retirement Plan on behalf of such participant. Such contributions to the 401(k) savings plan are invested according to the instructions of the participant in investment funds designated by the plan administrator. Subject to reduction or elimination based on its financial performance and needs as described in the Retirement Plan, CDI's contributions are determined annually as 50% of each employee's contribution (up to a maximum of 5% of the employee's annual salary).

Employee contributions to the 401(k) savings plan and earnings thereon are 100% vested at all times. Contributions by CDI to the profit sharing feature, and earnings thereon, vest based on the participant's years of service with the Company, vesting 20% after two years of service, increasing to 50% with three years of service, and becoming 100% vested following four years of service. All contributions vest, regardless of years of service, upon termination of employment by reason of death or disability, attainment of age 65 or the termination or discontinuance of the Retirement Plan. After termination of employment, an employee is entitled to receive a lump-sum distribution of his or her entire vested interest in the Retirement Plan.

STOCK OPTION PLAN

The Company's 1995 Long Term Incentive Plan, as amended (the "Stock Option Plan") is administered by the Board and its Compensation Committee and provides for grants of incentive and nonqualified options as defined by the Internal Revenue Code of 1986, as amended, (the "Code") to employees as determined by the Compensation Committee. The Stock Option Plan provides that options for a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted. No options may be granted under the Stock Option Plan after October 2005. Options granted to employees under the Stock Option Plan have a maximum term of five years and, subject to certain exceptions, are not transferable.

The number and exercise price of options granted to employees will be determined by the Compensation Committee; provided, however, that (i) the exercise price of an incentive option may not be less than the fair market value of the shares subject to the option on the date of the grant, and (ii) the exercise price of a non-qualified option may not be less than 85% of the fair market value of the shares subject to the option on the date of the grant. The Stock Option Plan provides that, upon a change of control, the options immediately vest and become exercisable.

To date, options to purchase approximately 984,500 shares of Common Stock at exercise prices ranging from $4.50 to $32.00 have been granted to 40 employees.

STOCK PURCHASE PLAN

The Company's Employee Stock Purchase Plan (the "Plan") is administered by the Employee Benefits Committee and allows all eligible employees to receive purchase rights for the Company's Common Stock. Once every six months, each employee can set-aside between 1% and 10% of their base compensation via payroll deductions to purchase shares at 85% of the lower of market price at the beginning or end of the plan period. The Plan is intended to qualify for tax benefits under Section 423 of the Code so that there is no tax to the participant at the time of grant and, if held long enough, the sale would be eligible for capital gains treatment.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

DESCRIBED BELOW ARE CERTAIN RELATED AGREEMENTS. THE FOLLOWING DESCRIPTIONS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE COMPLETE TEXT OF THE RELEVANT AGREEMENTS, COPIES OF WHICH ARE FILED AS EXHIBITS TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART AND ARE INCORPORATED BY REFERENCE HEREIN.

PURCHASE AGREEMENT

On April 11, 1997, CDI, the Selling Shareholders, Messrs. Reuhl, Kratz and Nelson and certain other shareholders of the Company entered into an agreement with Coflexip pursuant to which (i) CDI sold to Coflexip 528,541 shares of Common Stock and (ii) certain shareholders of the Company, including Messrs. Reuhl, Kratz and Nelson, sold to Coflexip 3,171,247 shares of Common Stock, all at a purchase price of $9.46 per share for an aggregate price of $35 million (the "Purchase Agreement"). For issuing Common Stock to Coflexip, the Company received $5 million in consideration, consisting of two Triton XL ROVs. Among other terms of the Purchase Agreement, CDI was required to make a number of specific representations, warranties and covenants about its business, capital structure, assets and liabilities. Individual selling shareholders were required to make separate representations. CDI and Coflexip also agreed to indemnify each other against certain claims and liabilities arising in connection with the transaction for a minimum of three years for up to the amount of consideration transferred for shares, in the case of the Company, or for the value of the assets transferred, in the case of Coflexip.

SHAREHOLDERS AGREEMENT

COMPOSITION OF THE BOARD

Pursuant to the Shareholders Agreement, the Board currently consists of 10 members, three nominated by Coflexip, three nominated by the First Reserve Funds and Messrs. Kratz, Reuhl, Nelson and Ahalt. In addition, the Board will nominate two additional directors by a majority vote of the entire Board, to serve in separate classes. The Shareholders Agreement provides that the Company will nominate and use its best efforts to take all necessary action to elect to the Board the individuals required to be nominated for election as directors. The Shareholders Agreement provides that the number of director nominees to be designated by a shareholder shall be reduced if such shareholder's holdings of Common Stock fall below certain levels. Consequently, upon completion of this Offering, Mr. Reuhl will resign from the Board, the First Reserve Funds will be required to have one of their directors resign and the number of directors shall be reduced to eight.

RIGHT OF FIRST OFFER

The Shareholders Agreement provides that CDI will not enter into any agreement (i) to sell the Company (ii) to retain an advisor to sell the Company or (iii) to pursue any acquisition in excess of 50% of the Company's market capitalization (based on the 30-day average trading value of the Common Stock) without first notifying Coflexip in writing and providing Coflexip (including its affiliates) with the right to acquire CDI and the opportunity to consummate an acquisition of another party or Quantum on terms substantially equivalent to any proposal. If Coflexip does not notify CDI of its intent to pursue a transaction within 15 days of the notice (the "Notice Period"), the Board will have the right to pursue the transaction.

If Coflexip elects to pursue an acquisition of CDI, the Company will take no further action with respect thereto for 120 days from the date of Coflexip's notice. If Coflexip does not pursue an acquisition of CDI, Coflexip has the right to acquire the Company's interest in Quantum by providing notice within the Notice Period. The purchase price for Quantum shall be based on a valuation prepared by an independent appraiser appointed by the Board. Coflexip retains the foregoing rights to acquire the Company or Quantum so long as it owns at least five percent of CDI's Common Stock.

LIMITED PREEMPTIVE RIGHTS

The Shareholders Agreement provides that, except under limited circumstances (including issuances of securities under stock option plans or in connection with acquisitions), CDI shall provide preemptive rights to acquire the Company's securities to each of Coflexip, the First Reserve Funds and Messrs. Reuhl, Kratz and Nelson. In the event of any public offering (by the Company), Coflexip and the First Reserve Funds shall have the opportunity to acquire their pro rata share unless the managing underwriters for such offering believe it would materially and adversely affect the marketability of such offering.

LIMITATIONS ON TRANSFERS

The Shareholders Agreement contains certain customary transfer restrictions that prohibit the parties from transferring any Common Stock, except for certain permitted transfers.

BUSINESS COOPERATION AGREEMENT

In connection with the Purchase Agreement, the Company and Coflexip entered into a Business Cooperation Agreement pursuant to which the parties formed Quantum. See "Business -- Coflexip Strategic Alliance -- The Business Cooperation Agreement."

REGISTRATION RIGHTS AGREEMENTS

In January 1995, the Company and certain shareholders entered into an agreement pursuant to which they sold an aggregate of 5,549,630 shares of Common Stock to the First Reserve Funds at a purchase price of $4.50 per share. In connection with the purchases of such shares of Common Stock, each of the First Reserve Funds, Gerald G. Reuhl, Owen Kratz, S. James Nelson, Jr. and the other shareholders of the Company entered into a registration rights agreement with the Company providing for demand and "piggyback" registration rights with respect to such shares. In connection with the Purchase Agreement, the Company and Coflexip entered into a registration rights agreement providing for demand and "piggyback" registration rights with respect to such shares. These registration rights agreements provide that if the Company proposes to register any of its securities under the Securities Act, the holder is entitled to include shares of Common Stock owned by such holder in such offering provided, among other conditions, that the underwriters of any offering have the right to limit the number of such shares included in such registration. Such registration rights agreements further provide for registration upon the request of holders of at least 5% of the shares of Common Stock subject to the agreement. See "Description of Capital Stock -- Registration Rights."

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information as of April 20, 1998, with respect to the beneficial ownership of Common Stock by (i) each shareholder of the Company who owns more than 5% of the outstanding stock, (ii) each director of the Company, (iii) each of the Named Executives, (iv) all directors and executive officers as a group and (v) each Selling Shareholder.

NAME	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING		SHARES BEING OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING(1)	
	NUMBER	PERCENT		NUMBER	PERCENT
Gerald G. Reuhl(2)(3)	912,731	6.2%	912,731	--	--
Owen Kratz(2)(3)(8)	1,490,929	10.2	--	1,490,929	10.2%
S. James Nelson, Jr.(2)	303,125	2.1	100,000	203,125	1.4
Lyle K. Kuntz	3,110	*	--	3,110	*
Louis L. Tapscott(9)	15,333	*	--	15,333	*
Gordon F. Ahalt	32,000	*	--	32,000	*
William E. Macaulay(4)	2,980,373	20.4	1,480,373	1,500,000	10.3
John A. Hill(4)	2,980,373	20.4	1,480,373	1,500,000	10.3
David H. Kennedy(5)	--	--	--	--	--
Gerald M. Hage	20,000	*	--	20,000	*
Thomas M. Ehret	--	--	--	--	--
Jean-Bernard Fay	--	--	--	--	--
Kenneth Hulls	--	--	--	--	--
First Reserve Corporation(4)	2,980,373	20.4	1,480,373	1,500,000	10.3
First Reserve Fund VI(5)	1,549,221	10.6	749,221	800,000	5.5
First Reserve Fund V(5)	1,097,371	7.5	547,371	550,000	3.8
First Reserve Fund V-2(5)	322,753	2.2	172,753	150,000	1.0
First Reserve Secured Energy Assets Fund(5)	11,028	*	11,028	--	--
Coflexip(6)	3,699,788	25.3	--	3,699,788	25.3
Cambridge Investments, Ltd.(10)	872,346	6.0	--	872,346	6.0
All directors and executive officers as a group (15 persons)(7)	9,457,389	64.7	2,493,104	6,964,285	47.7

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* Less than 1%.

(1) Unless otherwise indicated, the persons listed in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The address of each executive officer is 400 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060.

(3) Messrs. Reuhl and Kratz are parties to an option agreement pursuant to which Mr. Kratz can purchase up to 168,350 shares of Common Stock from Mr. Reuhl. It is expected that Mr. Reuhl will repurchase this option in connection with the closing of this Offering by paying Mr. Kratz, for each share covered by the option, the difference between the option exercise price and the price on the cover of this Prospectus net of all costs.

(4) First Reserve Corporation and Messrs. Macaulay and Hill do not directly own any Common Stock. The number of shares shown as beneficially owned by First Reserve Corporation and Messrs. Macaulay and Hill consists of all the shares owned by the First Reserve Funds. First Reserve Corporation may be deemed to have beneficial ownership of the shares of voting stock held by the First Reserve Funds because it is the managing general partner of each of the First Reserve Funds and has voting and dispositive power over those shares. Messrs. Macaulay and Hill may be deemed to have beneficial ownership over the shares held by the First Reserve Funds because of their ownership of a controlling interest in the common stock of First Reserve Corporation and their positions as managing directors of First Reserve Corporation. Messrs. Macaulay and Hill disclaim beneficial ownership of such shares. Mr. Macaulay is a director of the Company. The address of First Reserve Corporation and Messrs. Macaulay and Hill (c/o First Reserve Corporation) is 475 Steamboat Rd., Greenwich, Connecticut 06830.

(5) The addresses of David H. Kennedy, First Reserve Fund VI, First Reserve Fund V, First Reserve Fund V-2 and First Reserve Secured Energy Assets Fund are c/o First Reserve Corporation, 475 Steamboat Road, Greenwich, Connecticut 06830.

(6) The address of Coflexip is 23 Avenue de Neuilly, 75116 Paris, France.

(7) Includes shares issuable upon exercise of options to directors and executive officers.

(8) Includes 50,000 shares issuable upon exercise of options.

(9) Includes 14,000 shares issuable upon exercise of options.

(10) Cambridge Investments, Ltd., whose address is 600 Montgomery Street, 43rd Floor, San Francisco, California 94111, reported beneficial ownership of 872,346 shares of Common Stock as of   with the following affiliates: Cambridge Energy Fund International, Ltd., Cambridge Energy, L.P., Cambridge Oil & Gas, L.P., Cambridge Oil & Gas International, Ltd.,

Palamundo, LDC and Quantum Partners, LDC.

DESCRIPTION OF CAPITAL STOCK

CDI's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") provide for authorized capital stock of 60,000,000 shares of Common Stock, no par value per share, of which 14,544,831 shares will be outstanding upon completion of this Offering, and 5,000,000 shares of Preferred Stock, $.01 par value per share ("Preferred Stock"), of which no shares will be outstanding upon completion of this Offering. The following summary description of the capital stock of CDI is qualified in its entirety by reference to the Articles of Incorporation and the Company's Amended and Restated Bylaws (the "Bylaws"), a copy of each of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

COMMON STOCK

The holders of Common Stock are entitled to one vote for each share on all matters voted on by shareholders, and except as otherwise required by law or as provided in any resolution adopted by the Board of Directors with respect to any series of Preferred Stock, the holders of shares of Common Stock exclusively possess all voting power.

Subject to any preferential rights of any outstanding series of Preferred Stock created by the Board of Directors from time to time, the holders of Common Stock are entitled to such dividends as may be declared from time to time by the Board of Directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of CDI available for distribution to such holders. The Common Stock is not convertible or redeemable and there are no sinking fund provisions therefor. Holders of the Common Stock are not entitled to any preemptive rights except under the Shareholders Agreement. See "Certain Relationships and Related Transactions."

PREFERRED STOCK

The Board of Directors of CDI, without any action by the shareholders of the Company, is authorized to issue up to 5,000,000 shares of Preferred Stock, in one or more series and to determine the voting rights, preferences as to dividends and assets in liquidation and the conversion and other rights of each such series. There are no shares of Preferred Stock outstanding. See "-- Certain Anti-takeover Provisions" with regard to the effect that the issuance of Preferred Stock might have on attempts to take over CDI.

REGISTRATION RIGHTS

CDI has entered into both a First Amended and Restated 1995 Registration Rights Agreement and a 1997 Registration Rights Agreement (collectively, the "Registration Rights Agreements") with certain of its current shareholders, the latter with Coflexip and the former with Gerald G. Reuhl, Owen Kratz, S. James Nelson, Jr. and the First Reserve Funds, pursuant to which the holders are entitled to certain demand and "piggyback" rights with respect to the registration of such shares under the Securities Act. These Registration Rights Agreements provide that if CDI proposes to register any of its securities under the Securities Act, the holder is entitled to include shares of Common Stock owned by such holder in such offering provided, among other conditions, that the underwriters of any offering have the right to limit the number of such shares included in such registration. Such Registration Rights Agreements further provide for registration upon the request of holders of at least 5% of the shares of Common Stock subject to the agreement. Gerald G. Reuhl is exercising his registration rights in connection with this Offering. The other parties to the Registration Rights Agreements, with the exception of certain other Selling Shareholders, have waived their right to include shares of Common Stock owned by each of them in this Offering.

CERTAIN ANTI-TAKEOVER PROVISIONS

The Articles of Incorporation and Bylaws contain a number of provisions that could make the acquisition of CDI by means of a tender or exchange offer, a proxy contest or otherwise more difficult. The description of such provisions set forth below is intended to be only a summary and is qualified in its entirety by reference to the pertinent sections of the Articles of Incorporation and the Bylaws, copies of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part.

CLASSIFIED BOARD OF DIRECTORS; REMOVAL OF DIRECTORS. The classification of directors will have the effect of making it more difficult for shareholders to change the composition of the Board of Directors. At least two annual meetings of shareholders generally will be required to effect a change in a majority of the Board of Directors. Such a delay may help ensure that CDI's directors, if confronted by a shareholder attempting to force a proxy contest, a tender or exchange offer or an extraordinary corporate transaction, would have sufficient time to review the proposal as well as any available alternatives to the proposal and to act in what they believe to be the best interest of the shareholders. The classification provisions will apply to every election of directors, however, regardless of whether a change in the composition of the Board of Directors would be beneficial to CDI and its shareholders and whether a majority of the Company's shareholders believes that such a change would be desirable.

The Articles of Incorporation provide that directors of CDI may only be removed by the affirmative vote of the holders of 68% of the voting power of all of the then outstanding shares of stock entitled to vote generally in the election of directors (the "Voting Stock").

The classification provisions could also have the effect of discouraging a third party from initiating a proxy contest, making a tender or exchange offer or otherwise attempting to obtain control of CDI, even though such an attempt might be beneficial to the Company and its shareholders. These provisions could thus increase the likelihood that incumbent directors will retain their positions. In addition, the classification provisions may discourage accumulations of large blocks of the Common Stock that are effected for purposes of changing the composition of the Board of Directors. Accordingly, shareholders could be deprived of certain opportunities to sell their shares of Common Stock at a higher market price than might otherwise be the case.

PREFERRED STOCK. The Articles of Incorporation authorize the Board of Directors to establish one or more series of Preferred Stock and to determine, with respect to any series of Preferred Stock, the terms and rights of such series, including (i) the designation of the series, (ii) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the certificate of designation) increase or decrease (but not below the number of shares thereof then outstanding), (iii) whether dividends, if any, will be cumulative or noncumulative and the dividend rate of the series, (iv) the dates at which dividends, if any, will be payable, (v) the redemption rights and price or prices, if any, for shares of the series, (vi) the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series, (vii) the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of CDI, (viii) whether the shares of the series will be convertible into shares of any other class or series, or any other security, of CDI or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made, (ix) restrictions, if any, on the issuance of shares of the same series or of any other class or series, and (x) voting rights, if any, of the shareholders of such series, which may include the right of such shareholders to vote separately as a class on any matter.

CDI believes that the ability of the Board of Directors to issue one or more series of Preferred Stock will provide the Company with flexibility in structuring possible future financing and acquisitions and in meeting other corporate needs which might arise. The authorized shares of Preferred Stock, as well as shares of Common Stock, will be available for issuance without further action by the Company's shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which CDI's securities may be listed or traded.

Although the Board of Directors has no intention at the present time of doing so, it could issue a series of Preferred Stock that, depending on the terms of such series, might impede the completion of a merger, tender offer or other takeover attempt. The Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of CDI and its shareholders. The Board of Directors, in so acting, could issue Preferred Stock having terms that could discourage an acquisition attempt through which an acquiror may be otherwise able to change the composition of the Board of Directors, including a tender or exchange offer or other transaction that some, or a majority, of CDI's shareholders might believe to be in their best interests or in which shareholders might receive a premium for their stock over the then current market price of such stock.

NO SHAREHOLDER ACTION BY WRITTEN CONSENT; SPECIAL MEETINGS. The Articles of Incorporation and Bylaws provide that shareholder action can be taken only at an annual or special meeting of shareholders and prohibit shareholder action by written consent in lieu of a meeting. The Bylaws provide that special meetings of shareholders can be called only upon a written request by the Chief Executive Officer or a majority of the members of the Board of Directors. Shareholders are not permitted to call a special meeting or to require that the Board call a special meeting.

The provisions of the Articles of Incorporation and the Bylaws prohibiting shareholder action by written consent may have the effect of delaying consideration of a shareholder proposal, including a shareholder proposal that a majority of shareholders believes to be in the best interest of CDI, until the next annual meeting unless a special meeting is called. These provisions would also prevent the holders of a majority of the voting stock from unilaterally using the written consent procedure to take shareholder action. Moreover, a shareholder could not force shareholder consideration of a proposal over the opposition of the Board by calling a special meeting of shareholders prior to the time a majority of the Board believes such consideration to be appropriate.

AMENDMENT OF CERTAIN PROVISIONS OF THE ARTICLES OF INCORPORATION AND BYLAWS. Under the MBCA, the shareholders have the right to adopt, amend or repeal the Bylaws and, with the approval of the Board of Directors, the Articles of Incorporation. The Articles of Incorporation provide that the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, and in addition to any other vote required by the Articles of Incorporation or Bylaws, is required to amend provisions of the Articles of Incorporation or Bylaws relating to: (i) the prohibition of shareholder action without a meeting; (ii) the prohibition of shareholders calling a special meeting; (iii) the number, election and term of CDI's directors; (iv) the removal of directors or (v) fixing a quorum for meetings of shareholders. The vote of the holders of a majority of the voting power of the then outstanding shares of Voting Stock is required to amend all other provisions of the Articles of Incorporation. The Bylaws further provide that the Bylaws may be amended by the Board of Directors. These super-majority voting requirements will have the effect of making more difficult any amendment by shareholders of the Bylaws or of any of the provisions of the Articles of Incorporation described above, even if a majority of CDI's shareholders believes that such amendment would be in their best interests.

ANTI-TAKEOVER LEGISLATION. As a public corporation, CDI will be governed by the provisions of Section 302A.673 of the MBCA. This anti-takeover provision may eventually operate to deny shareholders the receipt of a premium on their Common Stock and may also have a depressive effect on the market price of CDI's Common Stock. Section 302A.673 prohibits a public corporation (except Coflexip) from engaging in a "business combination" with an "interested shareholder" for a period of four years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved by a committee of all of the disinterested members of the Board of Directors of CDI before the interested shareholder's share acquisition date. A "business combination" includes mergers, asset sales and other transactions. An "interested shareholder" is a person who is the beneficial owner of 10% or more of the corporation's Voting Stock. Reference is made to the detailed terms of Section 302A.673 of the MBCA.

LIMITATION ON DIRECTORS' LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Articles of Incorporation contain a provision that eliminates, to the extent currently allowed under the MBCA, the personal monetary liability of a director to CDI and its shareholders for breach of his fiduciary duty of care as a director, except in certain circumstances. If a director were to breach the duty of care in performing his duties as a director, neither the Company nor its shareholders could recover monetary damages from the director, and the only course of action available to the Company's shareholders would be equitable remedies, such as an action to enjoin or rescind a transaction involving a breach of the fiduciary duty of care. To the extent certain claims against directors are limited to equitable remedies, this provision of the Articles of Incorporation may reduce the likelihood of derivative litigation and may discourage shareholders or management from initiating litigation against directors for breach of their duty of care. Additionally, equitable remedies may not be effective in many situations. If a shareholder's only remedy is to enjoin the completion of the Board of Directors' action, this remedy would be ineffective if the shareholder does not become aware of a transaction or event until after it has been completed. In such a situation, such shareholder would not have effective remedy against the directors.

The Company's Bylaws require the Company to indemnify directors and officers to the fullest extent permitted under Minnesota law. The MBCA provides that a corporation organized under Minnesota law shall indemnify any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official capacity (as defined in the MBCA) of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceedings if certain statutory standards are met. "Proceeding" means a threatened, pending or completed civil, criminal, administrative, arbitration or investigative proceeding, including one by or in the right of the corporation. Section 302A.521 contains detailed terms regarding such rights of indemnification and reference is made thereto for a complete statement of such indemnification rights.

All of the foregoing indemnification provisions include statements that such provisions are not to be deemed exclusive of any other right to indemnity to which a director or officer may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is Norwest Bank Minnesota, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, CDI will have 14,544,831 shares of Common Stock outstanding. The 2,493,104 shares sold in this Offering (plus any additional shares sold upon exercise of the Underwriters' over-allotment option) and the other shares of the Company's common stock outstanding are freely tradeable in the public market without restriction or further registration under the Securities Act, except for any shares purchased by "affiliates" of CDI, as that term is defined in Rule 144 promulgated under the Securities Act.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated), including an affiliate of CDI, who beneficially owns "restricted securities" acquired from the Company or an affiliate of CDI at least one year prior to the sale is entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock (145,448) shares based on the number of shares outstanding immediately after completion of this Offering, and (ii) the average weekly reported trading volume of the Common Stock during the four calendar weeks immediately preceding the date on which notice of such sale is filed with the Commission, provided certain manner of sale and notice requirements and requirements as to the availability of current public information concerning the Company are satisfied. Under Rule 144(k), a person who has not been an affiliate of CDI for a period of three months preceding a sale of securities by him, and who beneficially owns such "restricted securities" acquired from CDI or an affiliate of the Company at least two years prior to such sale, would be entitled to sell shares without regard to volume limitations, manner of sale provisions, notification requirements or requirements as to the availability of current public information concerning CDI. Shares held by persons who are deemed to be affiliates of CDI, including any shares acquired by affiliates in this Offering, are subject to such volume limitations, manner of sale provisions, notification requirements and requirements as to availability of current public information concerning the Company, regardless of how long the shares have been owned or how they were acquired, and, in addition, the sale of any "restricted securities" beneficially owned by affiliates is subject to the one-year holding period requirement. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly through the use of one or more intermediaries controls, or is controlled by, or is under common control with, such issuer.

CDI, its directors and officers, the Selling Shareholders and Coflexip have agreed that, for a period of 90 days after the date of this Prospectus, they will not, directly or indirectly, offer, sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock (or securities convertible into or exchangeable for, or any rights to purchase or acquire, Common Stock, other than options under the Stock Option Plan and upon exercise of options granted under the Stock Option Plan) without prior written consent of the Representatives of the Underwriters.

In connection with the purchase of Common Stock by the First Reserve Funds in January 1995 and the purchase of Common Stock by Coflexip in April 1997, the Company entered into registration rights agreements which include certain demand and "piggyback" registration rights, on customary terms and conditions, to the Company's existing shareholders who currently hold an aggregate of 9,457,389 shares of Common Stock. Such registration rights are subject to certain notice requirements, timing restrictions and volume limitations. See "Certain Relationships and Related Transactions" and "Description of Capital Stock -- Registration Rights."

CDI has granted options to purchase an aggregate of 984,500 shares of Common Stock under the Stock Option Plan. See "Management -- Compensation Pursuant to Plans." The Company intends to register under the Securities Act the shares issuable upon exercise of options granted under the Stock Option Plan and, upon such registration, such shares will be eligible for resale in the public market, except that any such shares issued to affiliates are subject to the volume limitations and other restrictions of Rule 144.

UNDERWRITERS

Under the terms and subject to the conditions in the Underwriting Agreement dated the date of this Prospectus (the "Underwriting Agreement"), the Underwriters named below (the "Underwriters"), for whom Morgan Stanley & Co. Incorporated, Raymond James & Associates, Inc. and Simmons & Company International are acting as Representatives (the "Representatives"), have severally agreed to purchase, and the Selling Shareholders have agreed to sell to them, severally, the respective number of shares of Common Stock set forth opposite the names of such Underwriters below:

NAME	NUMBER OF SHARES
Morgan Stanley & Co. Incorporated....	
Raymond James & Associates, Inc......	
Simmons & Company International......	
Total...........................	2,493,104

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all the shares of Common Stock offered hereby (other than those covered by the overallotment option described below) if any such shares are taken.

The Underwriters initially propose to offer part of the shares of Common Stock directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price, which represents a concession not in excess of $ a share under the public offering price. Any Underwriter may allow, and such dealers may re-allow, a concession not in excess of $ a share to other Underwriters or to certain dealers. After the initial offering of shares of Common Stock, the offering price and other selling terms may from time to time be varied by the Representatives.

Certain of the Selling Shareholders have granted to the Underwriters an option, exercisable for 30 days after the date of this Prospectus, to purchase up to an aggregate of 373,966 additional shares of Common Stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose of covering overallotments, if any, made in connection with the offering of the shares of Common Stock offered hereby. To the extent such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number set forth next to such Underwriter's name in the preceding table bears to the total number of shares of Common Stock set forth next to the names of all Underwriters in the preceding table.

Each of the Company and the directors, executive officers and certain other stockholders of the Company has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of this Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exerciseable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The restrictions described in this paragraph do not apply to (x) the sale of Shares to the Underwriters, (y) the issuance by the Company of shares of Common Stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this Prospectus of which the Underwriters have been advised in writing or (z) transactions by any person other than the Company relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares.

In order to facilitate the Offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may over-allot in connection with the Offering, creating a short position in the Common Stock for their own account. In addition, to cover overallotments or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Common Stock in the Offering, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

The Underwriters and dealers may engage in passive marketing making transactions in the Common Stock in accordance with Rule 103 of Regulation M promulgated by the Commission. In general, a passive market maker may not bid for, or purchase, the Common Stock at a price that exceeds the highest independent bid. In addition, the net daily purchases made by any passive market maker generally may not exceed 30% of its average daily trading volume in the Common Stock during a specified two month prior period or 200 shares, whichever is greater. A passive market maker must identify passive market making bids as such on the Nasdaq electronic inter-dealer reporting system. Passive market making may stabilize or maintain the market price of the Common Stock above independent market levels. Underwriters and dealers are not required to engage in passive market making and may end passive market making activities at any time.

The Company, the Selling Shareholders and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

From time to time, Simmons & Company International has provided advisory services to the Company and First Reserve Corporation and entities owned by the First Reserve Funds, for which it has received customary compensation.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by the Company's General Counsel, Andrew C. Becher. Certain legal matters wil be passed upon for the Company by Fulbright & Jaworski L.L.P., Houston, Texas. Certain legal matters will be passed upon for the Selling Shareholders by Gibson, Dunn & Crutcher, LLP, Denver, Colorado. Vinson & Elkins L.L.P., Houston, Texas will pass upon certain legal matters for the Underwriters.

EXPERTS

The consolidated balance sheets as of December 31, 1997 and 1996, and the consolidated statements of operations, cash flows and shareholders' equity for the three years in the period ended December 31, 1997 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

The estimated reserve evaluations and related calculations of Miller & Lents, Ltd. set forth in this Registration Statement have been included herein in reliance upon the authority of said firm as an expert in petroleum engineering.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Cal Dive International, Inc.:

We have audited the accompanying consolidated balance sheets of Cal Dive International, Inc. (a Minnesota corporation), and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for the three years in the period ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal Dive International, Inc., and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP
Houston, Texas
February 19, 1998

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS -- DECEMBER 31, 1997 AND 1996
(IN THOUSANDS)

	DECEMBER 31, 1997	DECEMBER 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,025	$ 204
Accounts receivable --		
Trade, net of revenue allowance on gross amounts billed of $1,822 and $1,021	23,856	18,849
Unbilled revenue	8,134	7,364
Other current assets	4,947	2,755
Total current assets	49,962	29,172
PROPERTY AND EQUIPMENT	89,499	61,466
Less -- Accumulated depreciation	(20,021)	(13,260)
	69,478	48,206
OTHER ASSETS:		
Cash deposits restricted for salvage operations	5,670	5,234
Other assets, net	490	444
	$ 125,600	$ 83,056
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 12,919	$ 9,909
Accrued liabilities	7,514	5,758
Income taxes payable	602	94
Total current liabilities	21,035	15,761
LONG-TERM DEBT	--	25,000
DEFERRED INCOME TAXES	8,745	5,417
DECOMMISSIONING LIABILITIES	6,451	6,034
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par, 60,000 shares authorized, 21,345 and 18,448 shares issued and outstanding	52,832	9,093
Retained earnings	40,288	25,806
Treasury stock, 6,820 and 7,349 shares, at cost	(3,751)	(4,055)
Total shareholders' equity	89,369	30,844
	$ 125,600	$ 83,056

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
NET REVENUES:			
Subsea and salvage revenues	$ 92,860	$ 63,870	$ 32,747
Natural gas and oil production	16,526	12,252	4,777
	109,386	76,122	37,524
COST OF SALES:			
Subsea and salvage	67,538	46,766	25,568
Natural gas and oil production	8,163	7,270	3,107
Gross profit	33,685	22,086	8,849
SELLING AND ADMINISTRATIVE EXPENSES:			
Selling expenses	1,429	1,157	939
Administrative expenses	9,767	7,134	3,993
Total selling and administrative expenses	11,196	8,291	4,932
INCOME FROM OPERATIONS	22,489	13,795	3,917
OTHER INCOME AND EXPENSE:			
Interest expense, net	123	745	135
Other expense	85	36	61
INCOME BEFORE INCOME TAXES	22,281	13,014	3,721
Provision for income taxes	7,799	4,579	1,047
NET INCOME	$ 14,482	$ 8,435	$ 2,674
NET INCOME PER SHARE:			
Basic	$ 1.12	$ 0.76	$ 0.24
Diluted	1.09	0.75	0.24
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	12,883	11,099	11,016
Diluted	13,313	11,286	11,055

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(IN THOUSANDS)

	COMMON STOCK			TREASURY STOCK		
	SHARES	AMOUNT	RETAINED EARNINGS	SHARES	AMOUNT	TOTAL SHAREHOLDERS' EQUITY
BALANCE, DECEMBER 31, 1994	18,388	$ 1,178	$14,697	(10,069)	$(5,481)	$ 10,394
NET INCOME	--	--	2,674	--	--	2,674
ACTIVITY IN COMPANY STOCK PLANS	60	121	--	500	150	271
SALE OF TREASURY STOCK, NET	--	7,794	--	2,220	1,276	9,070
BALANCE, DECEMBER 31, 1995	18,448	9,093	17,371	(7,349)	(4,055)	22,409
NET INCOME	--	--	8,435	--	--	8,435
BALANCE, DECEMBER 31, 1996	18,448	9,093	25,806	(7,349)	(4,055)	30,844
NET INCOME	--	--	14,482	--	--	14,482
ACTIVITY IN COMPANY STOCK PLANS	22	327	--	--	--	327
SALE OF TREASURY STOCK, NET	--	4,055	--	529	304	4,359
SALE OF COMMON STOCK, NET	2,875	39,357	--	--	--	39,357
BALANCE, DECEMBER 31, 1997	21,345	$52,832	$40,288	(6,820)	$(3,751)	$ 89,369

The accompanying notes are an integral part of these consolidated financial statements.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 14,482	$ 8,435	$ 2,674
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	7,512	5,257	2,794
Deferred income taxes	3,789	2,122	635
Gain on sale of property	(464)	--	--
Changes in operating assets and liabilities:			
Accounts receivable, net	(5,777)	(15,287)	2,592
Other current assets	(2,653)	(299)	1,574
Accounts payable and accrued liabilities	4,766	6,355	1,640
Income taxes payable (receivable)	736	280	(327)
Other noncurrent, net	(97)	782	414
Net cash provided by operating activities	22,294	7,645	11,996
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(28,936)	(27,289)	(16,857)
Deposits restricted for salvage operations	(436)	(255)	(2,727)
Proceeds from sale of property	1,084	244	--
Net cash used in investing activities	(28,288)	(27,300)	(19,584)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Sale of treasury stock, net of transaction costs	4,359	--	9,070
Borrowings under term loan facility	6,700	25,000	8,253
Exercise of stock warrants and options	99	--	271
Decrease in short-term borrowing	--	--	(1,900)
Repayments of long-term debt	(31,700)	(5,300)	(8,219)
Sale of Common Stock, net of transaction costs	39,357	--	--
Net cash provided by financing activities	18,815	19,700	7,475
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,821	45	(113)
CASH AND CASH EQUIVALENTS:			
Balance, beginning of year	204	159	272
Balance, end of year	$ 13,025	$ 204	$ 159

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION:

Cal Dive International, Inc. (Cal Dive, CDI or the Company), headquartered in Houston, Texas, owns, staffs and operates ten marine construction vessels and a derrick barge in the Gulf of Mexico. The Company provides a full range of services to offshore oil and gas exploration and production and pipeline companies, including underwater construction, maintenance and repair of pipelines and platforms, and salvage operations.

In September 1992, Cal Dive formed a wholly owned subsidiary, Energy Resource Technology, Inc. (ERT), to purchase producing offshore oil and gas properties which are in the later stages of their economic lives. ERT is a fully bonded offshore operator and, in conjunction with the acquisition of properties, assumes the responsibility to decommission the property in full compliance with all governmental regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided primarily on the straight-line method over the estimated useful lives of the assets.

All of the Company's interests in natural gas and oil properties are located offshore in United States waters. Under the successful efforts method, the costs of successful wells and leases containing productive reserves are capitalized.

ERT offshore property acquisitions are recorded at the value exchanged at closing together with an estimate of its proportionate share of the decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability to be assumed in offshore property acquisitions, the Company performs very detailed estimating procedures, including engineering studies. All capitalized costs are amortized on a unit-of-production basis (UOP) based on the estimated remaining oil and gas reserves. Properties are periodically assessed for impairment in value, with any impairment charged to expense.

The following is a summary of the components of property and equipment (dollars in thousands):

	ESTIMATED USEFUL LIFE	1997	1996
Vessels	15	$ 62,814	$ 40,403
Offshore leases and equipment	UOP	15,634	14,767
Machinery and equipment	5	8,191	5,125
Leasehold improvements, furniture, software and computer equipment	5	2,651	1,061
Automobiles and trucks	3	209	110
Total property and equipment		$ 89,499	$ 61,466

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Total repair and maintenance charges were $6,771,000, $3,655,000 and $2,368,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Upon the disposition of property and equipment, the related cost and accumulated depreciation accounts are relieved, and the resulting gain or loss is included in other income (expense).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company earns the majority of its service revenues during the summer and fall months. Revenues are derived from billings under contracts (which are typically of short duration) that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. The Company recognizes revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on such contracts are made in the period such losses are determined. Unbilled revenue represents revenue attributable to work completed prior to year-end which has not yet been invoiced. All amounts included in unbilled revenue at December 31, 1997 and 1996, are expected to be billed and collected within one year.

REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED

The Company bills for work performed in accordance with the terms of the applicable contract. The gross amount of revenue billed will include not only the billing for the original amount quoted for a project but also include billings for services provided which the Company believes are outside the scope of the original quote. The Company establishes a Revenue Allowance for these additional billings based on its collections history if conditions warrant such a reserve.

MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The market for the Company's services is the offshore oil and gas industry, and the Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. The Company performs ongoing credit evaluations of its customers and provides allowances for probable credit losses when necessary; however, such losses have historically been insignificant.

Two customers merged during 1995 (J. Ray McDermott, S.A.) and together accounted for 19 percent, 24 percent and 21 percent of consolidated revenues in the years 1997, 1996 and 1995, respectively. In addition, Shell accounted for 11 percent of consolidated revenues in 1997.

INCOME TAXES

Deferred taxes are recognized for revenues and expenses reported in different years for financial statement purposes and income tax purposes in accordance with SFAS No. 109, "Accounting for Income Taxes." The statement requires, among other things, the use of the liability method of computing deferred income taxes. The liability method is based on the amount of current and future taxes payable using tax rates and laws in effect at the balance sheet date.

EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 128, "Earnings Per Share". This statement replaces APB Opinion No. 15 and establishes standards for computing and presenting earnings per share. The Company adopted this standard, as required, for the year ended December 31, 1997. Adoption of this standard did not have a material effect on the Company's reported earnings per share amounts.

SFAS 128 requires the presentation of "basic" EPS and "diluted" EPS on the face of the statement of operations. Basic EPS is computed by dividing the net income available to common shareholders by the weighted-average shares of outstanding common stock. The calculation of diluted EPS is similar to basic EPS except that the denominator includes dilutive common stock equivalents, which were stock options, less the number of treasury shares assumed to be purchased from the proceeds from the exercise of stock options.

STATEMENT OF CASH FLOW INFORMATION

The Company defines cash and cash equivalents as cash and all highly liquid financial instruments with original maturities of less than three months. During the years ended December 31, 1997, 1996 and 1995, the Company's cash payments for interest were approximately $1,033,000, $1,069,000 and $526,000, respectively, and cash payments for federal income taxes were approximately $3,200,000, $2,200,000 and $663,000, respectively. In connection with 1997, 1996 and 1995 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately $1,351,000, $1,200,000 and $3,800,000, respectively (see Note 3).

RECLASSIFICATIONS

Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes to make them consistent with the current presentation format.

INVESTMENTS

The Company follows SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS No. 115, debt securities, including treasury bills and notes, that the Company has both the intent and ability to hold to maturity, are carried at amortized cost and are included in cash deposits restricted for salvage operations in the accompanying consolidated balance sheets. As all of these securities as of December 31, 1997, are U.S. Treasury securities and notes, the majority of which mature beyond one year, the Company believes the recorded balance of these securities approximates their fair market value.

3. OFFSHORE PROPERTY ACQUISITIONS:

During 1995, net working interests of 50 percent to 100 percent in seven offshore blocks were acquired in exchange for cash of $1,780,000 and ERT assuming the related abandonment liabilities. The 1996 property acquisitions included net working interests of 33 percent to 100 percent in four offshore blocks which were acquired for cash of $3,600,000 and assumption of a pro rata share of the decommissioning liability. During 1997, ERT acquired net working interest of 50 percent to 100 percent in 3 offshore blocks in exchange for $1.3 million in cash and assumption of a pro rata share of the decommissioning liability.

ERT production activities are regulated by the federal government and require significant third-party involvement, such as refinery processing and pipeline transportation. The Company records revenue from its offshore properties net of royalties paid to the Minerals Management Service. Royalty fees paid totaled approximately $3,018,000, $1,996,000 and $875,000 for the years ended 1997, 1996 and 1995, respectively. In accordance with federal regulations that require operators in the Gulf of Mexico to post an areawide bond of $3,000,000, cash deposits restricted for salvage operations include U.S. Treasury bonds of $3,300,000 at December 31, 1997 (see Note 2). In addition, the terms of certain of the 1993 purchase and sale agreements require that ERT deposit a portion of a property's net production revenue into interest-bearing escrow accounts until such time as a specified level of funding has been set aside for salvaging and abandoning the properties. As of December 31, 1997, such deposits totaled $2,370,000 and are included in cash deposits restricted for salvage operations in the accompanying balance sheet.

4. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following (in thousands):

	1997	1996
Accrued payroll and related benefits....	$ 4,097	$ 2,961
Workers compensation claims............	1,100	999
Workers compensation claims to be reimbursed...........................	1,568	698
Other..................................	749	1,100
Total accrued liabilities..........	$ 7,514	$ 5,758

5. REVOLVING CREDIT FACILITY:

During 1995, the Company entered into a $30 million revolving credit facility, maturing in May 2000, which is secured by property and equipment and trade receivables. At the Company's option, interest was at a rate equal to 2.00 percent above a Eurodollar base rate (2.25 on borrowings less than $10 million) or .5 percent above prime. Pursuant to these terms, borrowings at December 31, 1996, included $22 million at 7.37 percent (Eurodollar option) and $3 million at 8.75 percent. The Company drew upon the revolving credit facility throughout the three years ended December 31, 1997. Under this credit facility, letters of credit (LOC) are also available which the Company typically uses if performance bonds are required and, in certain cases, in lieu of purchasing U.S. Treasury bonds in conjunction with ERT property acquisitions. At December 31, 1996 and 1997, LOC totaling $4.25 million and $2.92 million were outstanding pursuant to these terms.

During April 1997, the revolving credit facility was amended, increasing the amount available to $40 million and reducing the financial covenant restrictions to one (a fixed charge ratio) and reducing the interest rate from .5% above prime and 2% above the Eurodollar base rate to prime and 1.25 to 2.50 percent above Eurodollar based on specific provisions set forth in the loan agreement. The Company was in compliance with these debt covenants at December 31, 1997.

6. FEDERAL INCOME TAXES:

Federal income taxes have been provided based on the statutory rate of 34 percent in 1995 and 1996 and 35 percent in 1997 adjusted for items which are allowed as deductions for federal income tax reporting purposes, but not for book purposes. The primary differences between the statutory rate and the Company's effective rate are as follows:

	1997	1996	1995
Statutory rate......................	35%	34%	34%
Percentage depletion related to the natural gas production of ERT properties........................	--	--	(7)
Other...............................	--	1	1
Effective rate......................	35%	35%	28%

Components of the provision for income taxes reflected in the statements of operations consist of the following (in thousands):

	1997	1996	1995
Current.............................	$ 4,010	$ 2,457	$ 412
Deferred............................	3,789	2,122	635
	$ 7,799	$ 4,579	$ 1,047

Deferred income taxes result from those transactions which affect financial and taxable income in different years. The nature of these transactions and the income tax effect of each as of December 31, 1997 and 1996, is as follows (in thousands):

	1997	1996
Deferred tax liabilities --		
Depreciation	$ 8,745	$ 5,417
Deferred tax assets --		
Reserves, accrued liabilities and other	(91)	(552)
Net deferred tax liability	$ 8,654	$ 4,865

7. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

The Company occupies several facilities under noncancelable operating leases, with the more significant leases expiring in the years 2004 and 2007. Future minimum rentals under these leases are $4.35 million at December 31, 1997 with $495,000 in 1998, $559,000 in 1999, $553,000 in 2000, $569,000 in 2001 and the balance thereafter. Total rental expense under operating leases was $376,000, $262,000 and $240,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

INSURANCE AND LITIGATION

The Company carries hull protection on vessels, indemnity insurance and a general umbrella policy. All onshore employees are covered by workers' compensation, and all offshore employees, including divers and tenders, are covered by Jones Act employee coverage, the maritime equivalent of workers' compensation. The Company is exposed to deductible limits on its insurance policies, which vary from $5,000 to a maximum of $100,000 per accident occurrence. Effective August 1, 1992, the Company adopted a self-insured (within specified limits) medical and health benefits program for its employees whereby the Company is exposed to a maximum of $15,000 per claim.

The Company incurs workers' compensation claims in the normal course of business, which management believes are covered by insurance. The Company, its insurers and legal counsel analyze each claim for potential exposure and estimate the ultimate liability of each claim. Amounts accrued and receivable from insurance companies, above the applicable deductible limits, are reflected in other current assets in the consolidated balance sheet. See related accrued liabilities at Note 4. Such amounts were $1,568,000 and $698,000 as of December 31, 1997 and 1996, respectively. The Company has not incurred any significant losses as a result of claims denied by its insurance carriers. In the opinion of management, the ultimate liability to the Company, if any, which may result from these claims will not materially affect the Company's consolidated financial position, results of operations or net cash flows.

8. EMPLOYEE BENEFIT PLANS:

DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution 401(k) retirement plan covering substantially all of its employees. The Company's contributions and cost are determined annually as 50 percent of each employee's contribution up to 5 percent of the employee's salary. The Company's costs related to this plan totaled $270,000, $197,000 and $168,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

INCENTIVE AND STOCK OPTION PLAN

During 1995, the board of directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted to key executives and selected employees who are likely to make a significant positive impact on the reported net income of the Company. The Incentive Plan is administered by a committee which determines, subject to approval of the Compensation Committee of the Board of Directors, the type of award to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. The committee may grant stock options, stock appreciation rights, or stock and cash awards. Options granted to employees under the Incentive Plan vest 20% per year for a five year period, have a maximum exercise life of five years and, subject to certain exceptions, are not transferable.

The stock option plan is accounted for using APB Opinion No. 25, and therefore no compensation expense is recorded. If SFAS Statement No. 123 had been used for the accounting of these plans, the Company's pro forma net income for 1997, 1996 and 1995 would have been $14,023,000, $8,330,000 and $2,607,000, respectively, and the Company's pro forma diluted earnings per share would have been $1.07, $0.74 and $0.24, respectively. These pro forma results exclude consideration of options granted prior to January 1, 1995, and therefore may not be representative of that to be expected in future years.

All of the options outstanding at December 31, 1997, have exercise prices as follows: 454,500 shares at $4.50, 470,000 shares at $9.50 and 70,000 shares at a range of $26.75 to $32.75 and a weighted average remaining contractual life of 3.68 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1995 and 1996: risk-free interest rates of 5.9 percent; expected dividend yields of 0 percent; expected lives of five years; and expected volatility of 0 percent as the Company was a privately held entity and accordingly estimating the expected volatility was not feasible. The same weighted average assumptions were used for grants in 1997 with the exception of expected volatility which is assumed to be 36 percent and risk-free interest rate assumed to be 5.5 percent.

Options outstanding are as follows:

	1997		1996		1995	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	544,500	$ 4.50	447,500	$ 4.50	560,000	$ .35
Granted	540,000	12.17	135,000	4.50	447,500	4.50
Exercised	(22,000)	4.50	--	--	(560,000)	.35
Terminated	(68,000)	4.50	(38,000)	4.50	--	--
Options outstanding, December 31	994,500	$ 8.66	554,500	$ 4.50	447,500	$ 4.50
Options exercisable, December 31	199,604	$ 4.50	124,700	$ 4.50	44,000	$ 4.50

9. COMMON STOCK:

During 1995, the board of directors and shareholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares from 2,000,000 to 20,000,000. In connection with this measure, a 10-for-1 stock split was also approved. Accordingly, all of the share and per share information included in the financial statements and notes thereto has been restated retroactively to reflect the 10-for-1 stock split.

During 1995, certain investment funds managed by First Reserve Corporation (the "First Reserve Funds") acquired a 50 percent ownership position in the Company by purchasing 3,329,780 shares held by employees and 2,219,850 treasury shares held by the Company, increasing shareholders' equity by $10,000,000 ($9,070,000, net of transaction costs).

On April 11, 1997, Coflexip purchased approximately 3,700,000 shares of the Company's stock, consisting of approximately 2.1 million shares sold by management of the Company, 1.1 million shares sold by First Reserve Funds and approximately 500,000 shares sold by the Company at a price of $9.46 per share. The Company had previously, in February of 1997, contracted with Coflexip to acquire two ROVs at published retail prices. Coflexip agreed to accept approximately 500,000 shares of the Company's Common Stock as payment for the ROVs and as part of the transaction described above.

In conjunction with this transaction, the Company entered into a new Shareholders Agreement. The new Shareholders Agreement provides that, except in limited circumstances (including issuance of securities under stock option plans or in conjunction with acquisitions), the Company shall provide preemptive rights to acquire the Company's securities to each of Coflexip, First Reserve and the Executive Directors. The Shareholders Agreement also provides that the Company will not enter into an agreement (i) to sell the Company, (ii) to retain an advisor to sell the Company or (iii) to pursue any acquisition in excess of 50% of the Company's market capitalization without first notifying Coflexip in writing and providing Coflexip the opportunity to consummate an acquisition on terms substantially equivalent to any proposal.

The Company completed an initial public offering of common stock on July 7, 1997, with the sale of 4.1 million shares at $15 per share. Of the 4.1 million shares, 2,875,000 shares were sold by the Company and 1,265,000 shares were sold by First Reserve Funds. Net proceeds to the Company of approximately $39.4 million were used to retire all of its then outstanding long-term indebtedness of $20 million.

10. BUSINESS SEGMENT INFORMATION (IN THOUSANDS):

The following summarizes certain financial data by business segment:

	YEAR ENDED DECEMBER 31, 1997	1996	1995
Revenues --			
Subsea and salvage revenues........	$ 92,860	$ 63,870	$ 32,747
Natural gas and oil production.....	16,526	12,252	4,777
Total......................	$ 109,386	$ 76,122	$ 37,524
Income from operations --			
Subsea and salvage.................	$ 16,411	$ 10,503	$ 3,185
Natural gas and oil production.....	6,078	3,292	732
Total......................	$ 22,489	$ 13,795	$ 3,917
Identifiable assets --			
Subsea and salvage.................	$ 107,420	$ 63,217	$ 31,473
Natural gas and oil production.....	18,180	19,839	13,386
Total......................	$ 125,600	$ 83,056	$ 44,859
Capital expenditures --			
Subsea and salvage.................	$ 26,984	$ 20,038	$ 14,260
Natural gas and oil production.....	1,952	7,251	2,597
Total......................	$ 28,936	$ 27,289	$ 16,857
Depreciation and amortization --			
Subsea and salvage.................	$ 4,000	$ 2,525	$ 1,659
Natural gas and oil production.....	3,512	2,732	1,135
Total......................	$ 7,512	$ 5,257	$ 2,794

11. SUPPLEMENTAL OIL AND GAS DISCLOSURES (UNAUDITED):

The following information regarding the Company's oil and gas producing activities is presented pursuant to SFAS No. 69, "Disclosures About Oil and Gas Producing Activities" (in thousands).

CAPITALIZED COSTS

Aggregate amounts of capitalized costs relating to the Company's oil and gas producing activities and the aggregate amount of related accumulated depletion, depreciation and amortization as of the dates indicated are presented below. The Company has no capitalized costs related to unproved properties.

	AS OF DECEMBER 31,	
	1997	1996
Proved properties being amortized	$ 15,634	$ 14,767
Less -- Accumulated depletion, depreciation and amortization	(6,845)	(3,998)
Net capitalized costs	$ 8,789	$ 10,769

COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

The following table reflects the costs incurred in oil and gas property acquisition and development activities during the dates indicated:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Proved property acquisition costs	$ 2,687	$ 4,688	$ 6,092
Development costs	385	2,048	310
Total costs incurred	$ 3,072	$ 6,736	$ 6,402

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Revenues	$ 16,526	$ 12,252	$ 4,777
Production (lifting) costs	4,651	4,538	1,971
Depreciation, depletion and amortization	3,512	2,732	1,136
Pretax income from producing activities	8,363	4,982	1,670
Income tax expenses	2,927	1,744	568
Results of oil and gas producing activities	$ 5,436	$ 3,238	$ 1,102

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES

Proved oil and gas reserve quantities are based on estimates prepared by Company engineers in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 1997, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. Reserve quantities for periods prior to December 31, 1995, were estimated by the Company's internal engineers and not independent engineers since the Company was a privately held entity. The internal engineers did not revise their estimates for 1994 because the Company's properties were proved and producing in the latter stages of their respective lives and revisions to the reserve data were insignificant. Accordingly, no revisions of estimates prior to December 31, 1995 have been reflected. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

As of December 31, 1995, all of the Company's proved reserves were developed. As of December 31, 1996 and 1997, 4,500 Bbls. of oil and 6,325,700 Mcf. of gas of the Company's proved reserves were undeveloped.

RESERVE QUANTITY INFORMATION	OIL (BBLS.)	GAS (MCF.)
Total proved reserves at December 31, 1994	75	3,336
Production	(33)	(2,382)
Purchases of reserves in place	80	19,444
Total proved reserves at December 31, 1995	122	20,398
Revisions of previous estimates	32	(365)
Production	(38)	(4,310)
Purchases of reserves in place	8	8,873
Total proved reserves at December 31, 1996	124	24,596
Revisions of previous estimates	(21)	1,831
Production	(51)	(5,385)
Purchases of reserves in place	149	2,115
Sales of reserves in place	(1)	(912)
Total proved reserves at December 31, 1997	200	22,245

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

The following table reflects the standardized measure of discounted future net cash flows relating to the Company's interest in proved oil and gas reserves as of December 31:

	1997	1996	1995
Future cash inflows	$ 59,819	$ 92,393	$ 44,127
Future costs --			
Production	(23,675)	(26,247)	(23,990)
Development and abandonment	(6,917)	(7,365)	(6,168)
Future net cash flows before income taxes	29,227	58,781	13,969
Future income taxes	(7,927)	(17,980)	(5,072)
Future net cash flows	21,300	40,801	8,897
Discount at 10% annual rate	(1,540)	(6,996)	(1,252)
Standardized measure of discounted future net cash flows	$ 19,760	$ 33,805	$ 7,645

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved oil and gas reserves are as follows:

	1997	1996	1995
Standardized measure, beginning of year	$ 33,805	$ 7,645	$ 604
Sales, net of production costs	(11,441)	(9,882)	(2,806)
Net change in prices, net of production costs	(17,707)	22,201	1,217
Changes in future development costs	160	(555)	--
Development costs incurred	385	2,007	--
Accretion of discount	4,870	1,200	60
Net change in income taxes	7,544	(10,539)	(4,358)
Purchases of reserves in place	3,282	21,730	13,068
Sales of reserves in place	(2,480)	--	--
Changes in production rates (timing) and other	1,342	(2)	(140)
Standardized measures, end of year	$ 19,760	$ 33,805	$ 7,645

12. REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED:

The following table sets forth the activity in the Company's Revenue Allowance on Gross Amounts Billed for each of the three years in the period ended December 31, 1997 (in thousands):

	1997	1996	1995
Beginning balance	$ 1,021	$ 402	$ 364
Additions	3,058	1,784	464
Deductions	(2,257)	(1,165)	(426)
Ending balance	$ 1,822	$ 1,021	$ 402

The Company also regularly reviews its trade receivable balances for collectibility and provides Reserves for Bad Debts when necessary; however, as the Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers such reserves have historically been insignificant. See Note 2 for a detailed discussion regarding the Company's accounting policy on the revenue allowance on gross amounts billed.

13. SUBSEQUENT EVENTS:

INVESTMENT IN AQUATICA, INC.

In February 1998, the Company purchased a significant minority stake in Aquatica, Inc. for cash, in addition to a commitment to lend additional funds to allow Aquatica to purchase vessels and fund other growth opportunities. Aquatica, Inc., headquartered in Lafayette, Louisiana, is a surface diving company founded in October 1997 with the acquisition of Acadiana Divers, a 15 year old surface diving company. Dependent upon various preconditions, as defined, the shareholders of Aquatica, Inc. have the right to convert their shares into Cal Dive shares at a ratio based on a formula which, among other things, values their interest in Aquatica, Inc. and must be accretive to Cal Dive shareholders. The Company will account for this investment on the equity basis of accounting for financial reporting purposes.

ACQUISITION OF OFFSHORE BLOCKS

In January 1998, ERT acquired interests in six blocks involving two separate fields (a 55% interest in East Cameron 231 and a 10% interest in East Cameron 353) from Sonat Exploration Company ("Sonat"). The properties were purchased in exchange for cash of $1 million, as well as assumption of Sonat's pro rata share of the related decommissioning liability.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The offshore marine construction industry in the Gulf of Mexico is highly seasonal as a result of weather conditions and the timing of capital expenditures by the oil and gas companies. Historically, a substantial portion of the Company's services has been performed during the period from June through November. As a result, historically a disproportionate portion of the Company's revenues and net income is earned during the third (July through September) and fourth (October through December) quarters of its fiscal year. The following is a summary of consolidated quarterly financial information for 1997 and 1996.

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
FISCAL 1997				
Revenues	$18,444	$ 28,628	$28,859	$ 33,455
Gross profit	5,423	9,282	8,419	10,561
Net income	1,886	4,604	3,983	4,009
Net income per share:				
Basic	0.17	0.40	0.28	0.28
Diluted	0.17	0.39	0.27	0.27
FISCAL 1996				
Revenues	$11,184	$ 17,605	$23,906	$ 23,427
Gross profit	3,148	5,497	7,508	5,933
Net income	1,156	2,403	3,412	1,464
Net income per share:				
Basic	0.10	0.22	0.31	0.13
Diluted	0.10	0.22	0.30	0.13

[Chart Depicting Vessels]

[CAL DIVE LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses of the Registrant in connection with the offering described in the Registration Statement. All of the amounts shown are estimates except the SEC registration fee and the NASD filing fee.

SEC Filing Fee	$
NASD Filing Fee	
NASDAQ Listing Fee	(1)
Legal Fees and Expenses	(1)
Accounting Fees and Expenses	(1)
Printing Expenses	(1)
Blue Sky Fees and Expenses	(1)
Miscellaneous Expenses	(1)
Total	$ (1)(2)

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(1) To be provided by amendment.

(2) All of the issuance and distribution expenses will be borne by the Registrant.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Minnesota Statutes Section 302A.521 provides that a corporation organized under Minnesota law shall indemnify any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official capacity (as defined) of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceedings if certain statutory standards are met. "Proceeding" means a threatened, pending or completed civil, criminal, administrative, arbitration or investigative proceeding, including one by or in the right of the corporation. Section 302A.521 contains detailed terms regarding such rights of indemnification and reference is made thereto for a complete statement of such indemnification rights.

Reference is made to the Underwriting Agreement filed as Exhibit 1 to this Registration Statement for a description of indemnification arrangements related to this Offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

15. RECENT SALES OF UNREGISTERED SECURITIES.

During the last three years, the Company has sold the following securities (as adjusted for a -for-1 reverse stock split effective , 1997) that were not registered under the Act.

1. From November 1995 through May 1996, pursuant to the provisions of the 1995 Long Term Incentive Plan, the Company granted options to purchase an aggregate of 476,500 shares of Common Stock at an exercise price of $4.50 per share to certain employees, including officers and directors.

2. In April 1997, the Company granted options to employees to purchase an aggregate of 435,000 shares at an exercise price of $9.50 per share.

3. On April 11, 1997, the Company issued an aggregate of 528,541 shares of Common Stock to Coflexip at a per share price equal to $9.46 per share in consideration for the purchase of certain assets valued at an aggregate of $5 million and in entering into a Business Cooperation Agreement pursuant to which the Company and Coflexip intend to form a joint venture for combined services on Gulf of Mexico projects.

4. Since the Company's initial public offering, 20,000 shares have been issued pursuant to the exercise of employee stock options.

No underwriting commissions or discounts were paid with respect to the sales of unregistered securities described herein.

Except as otherwise noted, all of the above sales were made in reliance on Section 4(2) of the Act for transactions not involving a public offering. With regard to the reliance by the Company upon such exemption for registration, certain inquiries were made by the Company to establish that such sales qualified for such exemption from the registration requirements. In particular, the Company confirmed that (i) each purchaser provided the Company with written assurance of investment intent, and the certificates for the shares sold accordingly bear restrictive legends and (ii) sales were made a limited number of persons.

16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
1.1	-- Form of Underwriting Agreement
3.1	-- Amended and Restated Articles of Incorporation of Registrant, incorporated by reference to Exhibits 3.1 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
3.2	-- Bylaws of Registrant, incorporated by reference to Exhibit 3.2 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
4.1	-- Amended and Restated Loan and Security Agreement by and among the Company, ERT and Fleet Capital Corporation (f/n/a Shawmut Capital Corporation) dated as of May 23, 1995 incorporated by reference to Exhibit 4.1 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
4.2	-- Amendment No. 5 to Loan incorporated by reference to Exhibit 4.2 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
4.3	-- Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
4.4	-- Shareholders Agreement by and among the Company, First Reserve Secured Energy Asset Fund, First Reserve Fund V, First Reserve Fund V-2, First Reserve Fund (collectively the "Selling Shareholders"), Messrs. Reuhl, Kratz, Nelson and other shareholders of the Company incorporated by reference to Exhibit 4.4 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).

4.5	--	Registration Rights Agreement by and between the Company, the Selling Shareholders, Messrs. Reuhl, Kratz, Nelson and other shareholders of the Company incorporated by reference to Exhibit 4.5 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
4.6	--	Registration Rights Agreement by and between the Company and Coflexip incorporated by reference to Exhibit 4.6 to the Form S-1 Registration Statement filed by the Registrant (Reg. No. 333-26357).
5.1(1)	--	Opinion of Andrew C. Becher.
10.1	--	Purchase Agreement dated April 11, 1997 by and between Coflexip and the Company P incorporated by reference to Exhibit 10.1 to the Form S-1 the Registration Statement filed by the Registrant (Reg. No. 333-26357).
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10.7(1)	--	Employment Agreement between Louis L. Tapscott and the Company.
10.8	--	1997 Annual Incentive Compensation Program incorporated by reference to Exhibit 10.7 to the Form S-1 Registration Statement filed by Registrant (Reg. No. 333-26357).
21	--	Subsidiaries of the Registrant. The Company has two subsidiaries, Energy Resource Technologies, Inc., a Delaware corporation, and Cal Dive Offshore, Ltd., a Cayman Islands corporation.
23.1	--	Consent of Arthur Andersen LLP
23.2(1)	--	Consent of Andrew C. Becher (included in Exhibit 5.1)
23.3	--	Consent of Miller & Lents, Ltd.
24	--	Power of Attorney (included on signature page)

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(1) To be filed by amendment

(B) FINANCIAL STATEMENT SCHEDULE

None

17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1993, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indenmification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The Registrant hereby undertakes to provide of the Underwriter at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

(c) The undersigned registrant hereby undertakes that:

i. For purposes of determining liability under the Securities Act of 1993, the information omitted from the form of prospectus filed as part of a registration statement filed pursuant to Rule 430A and contained in the form of a prospectus filed by the registrant pursuant to Rule 424(b)(1) or Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

ii. For the purpose of determining liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initital bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-1 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON APRIL 22, 1998.

CAL DIVE INTERNATIONAL, INC.
By: /s/ OWEN KRATZ
OWEN KRATZ
CHIEF EXECUTIVE OFFICER

Each person whose signature appears below constitutes and appoints OWEN KRATZ and ANDREW C. BECHER, his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to the Registration Statement on Form S-1 and any additional Registration Statement pursuant to Rule 462(b), and to file the same, with all exhibits hereto, and all documents in connection herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED ON APRIL 22, 1998.

SIGNATURE	TITLE
/s/GERALD G. REUHL GERALD G. REUHL	Chairman of the Board
/s/OWEN KRATZ OWEN KRATZ	President, Chief Executive Officer, Chief Operating Officer and Director (principal executive officer)
/s/S. JAMES NELSON S. JAMES NELSON	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)
/s/WILLIAM E. MACAULAY WILLIAM E. MACAULAY	Director
/s/GORDON F. AHALT GORDON F. AHALT	Director
/s/DAVID H. KENNEDY DAVID H. KENNEDY	Director
/s/GERALD M. HAGE GERALD M. HAGE	Director
/s/THOMAS M. EHRET THOMAS M. EHRET	Director
/s/JEAN-BERNARD FAY JEAN-BERNARD FAY	Director
/s/KENNETH HULLS KENNETH HULLS	Director

INDEX TO EXIBITS

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24	--	Power of Attorney (included on signature page)

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(1) To be filed by amendment

EXHIBIT 1.1

DRAFT DATED
APRIL 22, 1998
VERSION 2

|X| SHARES

CAL DIVE INTERNATIONAL, INC.

COMMON STOCK (NO PAR VALUE PER SHARE)

UNDERWRITING AGREEMENT

May |X|, 1998

May |X|, 1998

Morgan Stanley & Co. Incorporated
Raymond James & Associates, Inc.
Simmons & Company International
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

Certain shareholders of Cal Dive International, Inc., a Minnesota corporation (the "COMPANY") named in Schedule I hereto (the "SELLING SHAREHOLDERS") severally propose to sell to the several Underwriters named in Schedule II hereto (the "UNDERWRITERS"), an aggregate of |X| shares of the Common Stock, no par value per share, of the Company (the "FIRM SHARES"), each Selling Shareholder selling the amount set forth opposite such Selling Shareholder's name in Schedule I hereto.

Certain of the Selling Shareholders also propose to issue and sell to the several Underwriters not more than an additional |X| shares of the Common Stock, no par value per share, of the Company (the "ADDITIONAL SHARES"), if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES". The shares of Common Stock, no par value per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "COMMON STOCK". The Selling Shareholders are hereinafter sometimes collectively referred to as the "SELLERS".

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "PROSPECTUS". If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d) Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims.

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common Stock (including the Shares to be sold by the Selling Shareholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable.

(h) The Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the Amended and Restated Articles of Incorporation (the "Articles of Incorporation") or By-Laws, in each case as amended to the date hereof, of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(j) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(k) There are no legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(l) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(m) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(n) The historical information underlying the estimates of the reserves of the Company supplied by the Company to Miller & Lents, Ltd. ("Miller & Lents"), independent petroleum engineers with respect to the Company (as described in Annex A), for the purposes of preparing the reserve reports of the Company referenced in the Prospectus (the "Reserve Report"), including, without limitation, production volumes, sales prices for production, contractual pricing provisions under oil or gas sales or marketing contracts or under hedging arrangements, costs of operations and development, and working interest and net revenue information relating to the Company's ownership interests in properties, was true and correct in all material respects on the date of such Reserve Report; the estimates of future capital expenditures and other future exploration and development costs supplied to Miller & Lents were prepared in good faith and with a reasonable basis; the information provided by Miller & Lents for purposes of preparing the Reserve Report was prepared in accordance with customary industry practices; to the best of the Company's knowledge, Miller & Lents was, as of the date of the Reserve Report prepared by it, and are, as of the date hereof, independent petroleum engineers with respect to the Company; other than normal production of reserves and intervening spot market product price fluctuations, and except as disclosed in the Registration Statement and the Prospectus, the Company is not aware of any facts or circumstances that would result in a materially adverse change in the reserves in the aggregate, or the aggregate present value of future net cash flows therefrom, as described in the Prospectus and as reflected in the Reserve Report; estimates of such reserves and the present value of the future net cash flows therefrom as described in the Prospectus and reflected in the Reserve Report comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder;

(o) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole. There has been no storage, disposal, generation, transportation, handling or treatment of hazardous substances or solid wastes by the Company and its subsidiaries (or to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company and its subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action by the Company and its subsidiaries under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not result in, or which would not be reasonably likely to result in, singularly or in the aggregate with all such violations and remedial actions, a material adverse effect on the Company and its subsidiaries, taken as a whole; there has been no spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any solid wastes or hazardous substances due to or caused by the Company and its subsidiaries, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not result in or would not be reasonably likely to result in, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a material adverse effect on the Company and its subsidiaries, taken as a whole; and the terms "hazardous substances" and "solid wastes" shall have the meanings specified in any applicable local, state and federal laws or regulations with respect to environmental protection;

(p) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) The description of services to be performed by non-coastwise qualified vessels set forth in the letter dated [FEBRUARY 10, 1997 OF ROBINS, KAPLAN, MILLER & CIRESI, L.L.P., SPECIAL COUNSEL TO THE COMPANY][1], to the U.S. Commissioner of Customs, Office of Regulations and Rulings, completely and correctly describes in all material respects the manner in which the Company and its subsidiaries currently operate the marine vessels described in the Prospectus (the "Vessels"). At no time during the Company or any subsidiary's ownership of the Vessels have any of the Vessels been sold, chartered or otherwise transferred to any person or entity in violation of any applicable laws, rules or regulations. Except as set forth on Schedule III, each Vessel has a clean certificate of inspection from the United States Coast Guard and an American Bureau of Shipping load line certificate where applicable, in each case free of reported or reportable exceptions or notations of record.

(r) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement that have not been validly waived pursuant to the terms of any such agreements.

(s) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

(t) The Company and its subsidiaries own or possess adequate patent rights or licenses or other rights to use patent rights, inventions, trademarks, service marks, trade names, copyrights, technology and know-how necessary to conduct the general business now or proposed to be operated by them as described in the Prospectus, except where failure to do so would not have a material adverse effect on the Company and its subsidiaries, taken as

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[1] Has Fulbright provided an updated letter?

a whole; neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any patent, patent rights, inventions, trademarks, service marks, trade names, copyrights, technology or know-how which, singularly or in the aggregate, would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(u) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for; and except as described in the Prospectus neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLING SHAREHOLDERS. Each of the Selling Shareholders severally and not jointly represents and warrants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Shareholder.

(b) The execution and delivery by such Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Shareholder and the Company, as Custodian, relating to the deposit of the Shares to be sold by such Selling Shareholder (the "Custody Agreement") and the Power of Attorney appointing certain individuals as such Selling Shareholder's attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "Power of Attorney") will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of such Selling Shareholder (if such Selling Shareholder is a corporation), or any agreement or other instrument binding upon such Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) Such Selling Shareholder has, and on the Closing Date will have, valid title to the Shares to be sold by such Selling Shareholder and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody

Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder.

(d) The Shares to be sold by such Selling Shareholder pursuant to this Agreement have been duly authorized and are validly issued, fully paid and non-assessable.

(e) The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Shareholder and are valid and binding agreements of such Selling Shareholder.

(f) Delivery of the Shares to be sold by such Selling Shareholder pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances.

(g) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, but only with reference to information relating to such Selling Shareholder furnished in writing by or on behalf of such Selling Shareholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

3. AGREEMENTS TO SELL AND PURCHASE. Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at $|X| a share (the "PURCHASE PRICE") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, certain of the Selling Shareholders agree to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to |X| Additional Shares at the Purchase Price. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each Seller hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing or (C) transactions by any person other than the Company relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares. In addition, each Selling Shareholder, agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

4. TERMS OF PUBLIC OFFERING. The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at $|X| a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of $|X| a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $|X| a share, to any Underwriter or to certain other dealers.

5. PAYMENT AND DELIVERY. Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on May |X|, 1998,[2] or at such other time on the same or such other date,

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[2] Insert date 3 business days or, in the event the offering is priced after 4:30 p.m. Eastern Time (and T+4 settlement is deemed to apply to secondary sales), 4 business days after the date of the Underwriting Agreement.

not later than May |X|, 1998,3 as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE".

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 3 or at such other time on the same or on such other date, in any event not later than June |X|, 1998,4 as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE".

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. CONDITIONS TO THE UNDERWRITERS' OBLIGATIONS. The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 4:00 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or

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3Insert date 5 business days after the date inserted in accordance with note 2 above. 4Insert date 10 business days after the expiration of the green shoe option.

supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 6(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Fulbright & Jaworski L.L.P., outside counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Minnesota, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(iii) the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus;

(iv) the shares of Common Stock (including the Shares to be sold by the Selling Shareholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable;

(v) all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims;

(vi) the Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights;

(vii) this Agreement has been duly authorized, executed and delivered by the Company;

(viii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the Articles of Incorporation or By-Laws, in each case as amended to the date hereof, of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(ix) the statements (A) in the Prospectus under the captions "|X|," "|X|," "Description of Capital Stock" and "Underwriters" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(x) after due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(xi) the Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(xii) the Company and its subsidiaries (A) are in compliance with any and all applicable Environmental Laws, (B) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (C) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole; and

(xiii) such counsel (A) is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Underwriters shall have received on the Closing Date an opinion of Gibson, Dunn & Crutcher LLP, counsel for the Selling Shareholders, dated the Closing Date, to the effect that:

(i) this Agreement has been duly authorized, executed and delivered by or on behalf of each of the Selling Shareholders;

(ii) the execution and delivery by each Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement and the Custody Agreement and Powers of Attorney of such Selling Shareholder will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of such Selling Shareholder (if such Selling Shareholder is a corporation), or, to the best of such counsel's knowledge, any agreement or other instrument binding upon such Selling Shareholder or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with offer and sale of the Shares;

(iii) each of the Selling Shareholders has valid title to the Shares to be sold by such Selling Shareholder and the legal right and power, and all authorization and approval required by law, to enter into this Agreement and the Custody Agreement and Power of Attorney of such Selling Shareholder and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder;

(iv) the Custody Agreement and the Power of Attorney of each Selling Shareholder have been duly authorized, executed and delivered by such Selling Shareholder and are valid and binding agreements of such Selling Shareholder;

(v) delivery of the Shares to be sold by each Selling Shareholder pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances; and

(vi) such counsel (A) is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Underwriters shall have received on the Closing Date an opinion of Vinson & Elkins L.L.P., counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 6(c)(vi), 6(c)(vii), 6(c)(ix) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters") and 6(c)(xiii) above.

With respect to Section 6(c)(xiii) above, Fulbright & Jaworski L.L.P. and Vinson & Elkins L.L.P. and with respect to Section 6(d)(vi) above, Gibson, Dunn & Crutcher LLP, may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified. With respect to Section 6(d) above Gibson, Dunn & Crutcher LLP may rely upon an opinion or opinions of counsel for any Selling Shareholders and, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of each Selling Shareholder contained herein and in the Custody Agreement and Power of Attorney of such Selling Shareholder and in other documents and instruments; provided that (A) each such counsel for the Selling Shareholders is satisfactory to your counsel, (B) a copy of each opinion so relied upon is delivered to you and is in form and substance satisfactory to your counsel, (C) copies of such Custody Agreements and Powers of Attorney and of any such other documents and instruments shall be delivered to you and shall be in form and substance satisfactory to your counsel and (D) Gibson, Dunn & Crutcher LLP shall state in their opinion that they are justified in relying on each such other opinion.

The opinions of Fulbright & Jaworski L.L.P. and Gibson, Dunn & Crutcher LLP described in Sections 6(c) and 6(d) above (and any opinions of counsel for any Selling Shareholder referred to in the immediately preceding paragraph) shall be rendered to the Underwriters at the request of the Company or one or more of the Selling Shareholders, as the case may be, and shall so state therein.

(f) Miller & Lents, Ltd., such firm constituting independent petroleum engineering consultants (the "Engineering Consultants"), shall have delivered to you on the date of this Agreement a letter (the "Reserve Letter") and also on the Closing Date a letter dated the Closing Date, in each case in form and substance reasonably satisfactory to you and substantially in the form attached hereto as Annex A, stating, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified information with respect to the oil and gas reserves is given or incorporated in the Prospectus as of the date not more than five days prior to the date of such letter), the conclusions and findings of such firm with respect to the oil and gas reserves of the Company.

(g) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Arthur Andersen LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial information contained in the Registration Statement and the Prospectus; PROVIDED that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(h) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

7. COVENANTS OF THE COMPANY. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, four (4) signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending June 30, 1999 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

8. EXPENSES. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Sellers agree to pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel, the Company's accountants and counsel for the Selling Shareholders in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, and (ix) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution", and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses,

including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The provisions of this Section shall not supersede or otherwise affect any agreement that the Sellers may otherwise have for the allocation of such expenses among themselves.

9. INDEMNITY AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Selling Shareholder agrees, severally and not jointly, to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 or Section 20 of the Exchange Act and the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Selling Shareholder furnished in writing by or on behalf of such Selling Shareholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto. In addition, in no event shall the liability of any Selling Shareholder for indemnification in this Section 9(b) exceed the net proceeds from the offering of the Shares (before deducting expenses) received by such Selling Shareholder.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Shareholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Shareholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), 9(b) or 9(c), such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Selling Shareholders and all persons, if any, who control any Selling Shareholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons of any Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Shareholders and such control persons of any Selling Shareholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Shareholders under the Powers of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in Section 9(a), 9(b) or 9(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Sellers or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by PRO RATA allocation (even if the Underwriters were treated as on entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company and the Selling Shareholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, any Selling Shareholder or any person controlling any Selling Shareholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. TERMINATION. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is

material and adverse and (b) in the case of any of the events specified in clauses 10(a)(i) through 10(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

11. EFFECTIVENESS; DEFAULTING UNDERWRITERS. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you, the Company and the Selling Shareholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders. In any such case either you or the relevant Sellers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

12. COUNTERPARTS. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. HEADINGS. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

CAL DIVE INTERNATIONAL, INC.

By:____________________________
Name:
Title:

SELLING SHAREHOLDERS:

FIRST RESERVE FUND VI, LIMITED PARTNERSHIP
FIRST RESERVE FUND V, LIMITED PARTNERSHIP
FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP
FIRST RESERVE SECURED ENERGY ASSETS FUND,
LIMITED PARTNERSHIP

By: First Reserve Corporation, as general partner

By:____________________________
Name:
Title:

Gerald G. Reuhl

Accepted as of the date hereof

MORGAN STANLEY & CO. INCORPORATED
RAYMOND JAMES & ASSOCIATES, INC.
SIMMONS & COMPANY INTERNATIONAL

Acting severally on behalf of themselves and the several Underwriters named in Schedule II hereto.

By: Morgan Stanley & Co. Incorporated

By:___________________________
Name:
Title:

SCHEDULE I

SELLING SHAREHOLDER	NUMBER OF FIRM SHARES TO BE SOLD
FIRST RESERVE FUND VI, LIMITED PARTNERSHIP	
FIRST RESERVE FUND V, LIMITED PARTNERSHIP.............	
FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP...........	
FIRST RESERVE SECURED ENERGY ASSETS FUND, LIMITED PARTNERSHIP...........................	
GERALD G. REUHL.......................................	
S. JAMES NELSON, JR...................................	
Total.....................................	

SCHEDULE II

UNDERWRITER	NUMBER OF FIRM SHARES TO BE PURCHASED
Morgan Stanley & Co. Incorporated	
Raymond James & Associates, Inc	
Simmons & Company International	
Total	

SCHEDULE III

VESSEL	ITEM#	OUTSTANDING ITEM	ISSUING BODY
CALDIVER I	1	M/E TO GEARBOX COUPLING TO BE RENEWED BY NOV 1998	ABS
CALDIVER I	2	CORRODED BRACKETS IN RUDDER ROOM - RENEW BY NOV 1998	ABS
CALDIVER I	3	CORRODED STIFFENERS IN AFTER PEAKS - RENEW BY NOV 1998	ABS
CALDIVER I	4	DENT IN NO. 3 BALLAST - RENEW BY NOV 1998	ABS
CALDIVER I	5	WHEELHOUSE WINDOW FRAMES - RENEW BY NOV 1998	ABS
CALDIVER I	6	SMALL HOLE IN DECK PLATE AT FRAME 33 - RENEW BY NOV 1998	ABS
CALDIVER I	7	CHANGE PLUG VENTS TO BALL VENTS NO. 3 TANKS BY NOV 1998	ABS
CALDIVER II	1	NONE	N/A
CALDIVER III	1	NONE	N/A
CALDIVER IV	1	NONE	N/A
CALDIVER V	1	NONE	N/A
CD BARGE I	1	NONE	N/A
BALMORAL SEA	1	SEE DNV LIST	DNV
WITCH QUEEN	1	SEE DNV LIST	DNV
UNCLE JOHN	1	SEE DNV LIST	DNV

EXHIBIT A

FORM OF LOCK-UP LETTER

April |X|, 1998

Morgan Stanley & Co. Incorporated
Raymond James & Associates, Inc.
Simmons & Company International
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY"), Raymond James & Associates, Inc. and Simmons & Company International propose to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with Cal Dive International, Inc., a Minnesota corporation (the "COMPANY") and certain shareholders of the Company named in the Underwriting Agreement (the "SELLING SHAREHOLDERS") providing for the public offering (the "PUBLIC OFFERING") by the several Underwriters, including Morgan Stanley (the "UNDERWRITERS"), of _______________ shares (the "SHARES") of the Common Stock, no par value per share, of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the sale of any Shares to the Underwriters pursuant to the Underwriting Agreement or (b) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

ANNEX A

FORM OF RESERVE LETTER OF MILLER & LENTS, LTD.

[To come]

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our Firm) included in or made a part of this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas
April 22, 1998

EXHIBIT 23.3

[MILLER AND LENTS, LTD. LETTERHEAD]

April 22, 1998

Cal Dive International, Inc.
400 N. Sam Houston Parkway E., Suite 400
Houston, TX 77060

Re: Cal Dive International, Inc.
Securities and Exchange Commission Form S-1
Consent Letter

Gentlemen:

The firm of Miller and Lents, Ltd. consents to the naming of it as experts and to the incorporation by reference of its report dated February 23, 1998 concerning the Oil and Gas Reserves and Future Net Revenues as of December 31, 1997 attributable to Energy Resource Technology, Inc. in the Registration Statement of Cal Dive International, Inc. on Securities and Exchange Commission Form S-1 to be filed with the Securities and Exchange Commission.

Miller and Lents, Ltd. has no interests in Cal Dive International, Inc. or in any of its affiliated companies or subsidiaries and is not to receive any such interest as payment for such report and has no director, officer, or employee employed or otherwise connected with Cal Dive International, Inc. We are not employed by Cal Dive International, Inc. on a contingent basis.

Very truly yours,

MILLER AND LENTS, LTD.

By P.G. VON TUNGELN
P.G. VON TUNGELN
CHAIRMAN